LINEHAN: The Revenue Committee my-- public hearing. My name is Lou Ann Linehan. I'm from Elkhorn, Nebraska. I represent the 39th Legislative District, and I serve as Chair of this committee. The committee will take up bills in the order posted. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. If you are unable to attend the public hearing and would like your position stated for the record, you must submit your written testimony by 5:00 p.m. the day prior to the hearing. Letters received after the cutoff can't be read into the record. To better facilitate today's proceedings, I ask that you follow by the-- abide the following rules. Please turn off your cell phones and other electronic devices. When you're going to testify, either proponent or opponent or neutral, please move up forward. It helps us kind of keep things moving along. The order of the testimony is introducer, proponents, opponents, and neutral, and then closing remarks. If you will be testifying, please complete the green form and hand them to the committee clerk when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute. You will need 11 copies for the committee members and the staff. If you need it-- if you didn't bring 11 copies, that's fine. You can give them to the pages so they can make copies, but give them to the pages like right away. So if you wait until you come up, that won't work. So as soon as we start here, you could hand-- you could have the pages make copies. When you begin to testify, please state and spell your name for the record. So even if your name is Roger, we need you to spell your name for the record. Please be concise. And we will limit testimony to five minutes, and we'll use a light system. So you have four minutes on the green, and then it goes to yellow for a minute. And when it's red, you need to wrap up. If your remarks are reflected in previous testimony or you would like your position to be known but do not wish to testify, please sign the white form at the back of the room, and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. To my immediate right is legal counsel, Mary Jane Egr Edson, and to my immediate left is research analyst, Kay Bergquist. At the end of the table to my left is committee clerk, Grant Latimer. And we'll-- Senator Kolterman is going to be late today-- or in another-- here in the building, but he's introducing a bill in another committee. So we will start with Senator.

GROENE: Senator Mike Groene, District 42, Lincoln County.

LINDSTROM: Brett Lindstrom, District 18, northwest Omaha.

FRIESEN: Curt Friesen, District 34, Hamilton, Merrick, Nance and part of Hall County.

CRAWFORD: Good afternoon. Sue Crawford, District 45, eastern Sarpy County.

BRIESE: Tom Briese, District 41.

LINEHAN: And we have two pages to help us. Brigita from Hudson, South Dakota, a sophomore at UNL majoring in agricultural education, and Veronica is a senior from Chadron, Nebraska majoring in poli sci. Can you stand up, ladies, so they can see? Thank you very much. Please remember that senators may come and go during our hearing as they may have bills to introduce in other committees as Senator Kolterman is doing right now and, I think, Senator McCollister as well. Please refrain from applause or other-- other indications of support or opposition. The microphones in the room are not for amplification but for recording purposes, so make sure you speak directly into the microphone. Lastly, we are electronics equipped committee, and information is provided electronically as well as in paper form. So if you see committee members looking at their computers or their phones, they're probably looking up information. Be assured that your presence here today and your testimony are important to us and critical to our state government. So thank you all for being here. And with that, we will start with LB545. Senator Wayne.

WAYNE: Good afternoon, Chair-- Chairwoman, say Chairman, sorry, Chairwoman Linehan and the Revenue Committee. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, and I represent Legislative District 13 which consists of north Omaha and northeast Omaha. 401(k)s, health insurance, gym memberships, child-care services, these are just some of the perks that commonly offered by-- to our employees in this country. As companies become more aware of the importance of financial wellness, some of them are starting to say offer 529 plans to allow families to save for their college futures-- or their futures. It's a voluntary benefit. To ensure that post-secondary access remains affordable, Nebraska has taken a big step to encourage families to save for the future or vocational school expenses through our 529 program named after the section of federal tax code. Research indicates that even small amount of savings are associated with increased higher education enrollment and completion. Investment earnings are not subject to federal income taxes if distributions from 529 plans are used for qualified education expenses. And many states provide additional tax benefits. Higher education plans operate similar to a 401(k) plan-- retirement plan. They offer flexibilities as students can use the funds to enroll in out-of-state institutions. According to the Employee Benefit Research Institute, companies that offer 401(k) plans in 1982 and just-- started offering in 1982. And just 14 years later, total assets of the plans topped over $1 trillion. Just like preparing for retirements, families will save more and be more prepared if they take care of-- take advantage of 529 plans. Even with tax benefits, 529 plans are underutilized especially among lower- and middle-income households. The idea behind this bill is that employer-sponsored 529 plans will get more families to save for college just like 401(k) plans have helped more families grow retirement plans. LB545 will ensure that employees-- employers who contribute to their employees' 529 accounts will not be charged state income tax and that no employee loses their state aid benefits in a way if their employer contributes to their 529 account. Also my bill will ensure that any state income tax refund at the end of the year can be enrolled-- can be rolled directly into a 529 account, and that the forms have been updated accordingly. Let me be clear, while getting a college education is important, it may not be for everybody. These 529 plans can also be used to help the next generation of welders, metal-- metalworkers, and other highly trained vocational tech students that will set up to do technical jobs that are right-- that are right now going unfilled. Giving businesses an option to help contribute to their employees 529 accounts will go a long way by helping increase both numbers of students who will go on to bigger and better things in my district and Nebraska as a whole. State-- I was about to call you Senator. State Treasurer John Murante will be here to testify after me to answer any additional questions that I may not be able to answer.

LINEHAN: Any questions from the committee? Seeing none, will you stay to wrap up?

WAYNE: Yes.

JOHN MURANTE: Good afternoon.

LINEHAN: Good afternoon, Senator.

JOHN MURANTE: Chairwoman Linehan, members of the Revenue Committee, for the record, my name is John Murante, J-o-h-n M-u-r-a-n-t-e. And I am here today to testify in favor of this as part of the State Treasurer's broader legislative package to increase access and awareness to Nebraska's-- Nebraska's Educational Savings Trust, our college savings 529 plan. What Senator Wayne proposes to do, I think, is-- is a pretty commonsense proposal. In the fall of this year, our office began researching basically all of the check marks. And a scorecard is developed as to what states are doing to provide ease of access and ease of ability to-- to become involved in each state's 529 program. What Senator Wayne is proposing to do checks several boxes. It is very important that we not charge state income tax when employers give this benefits to employees. With that said, I have the list of-- of employers who withhold this. I'm-- I'm unaware and don't have any evidence that any employers grant this benefits to their employees today. So I don't believe that that particular provision of this bill will have any fiscal impact because we're not collecting income tax today. Second, on the matter of the rollover, and I believe Senator Cavanaugh will be here later today with a very, very comparable piece of legislation, this is a provision that is done in a number of different states and has really shown it has been very successful in signing people up for 529 accounts, the ability to roll an individual's refund directly into a 529 account. They get to keep their money and do it as quickly and as easily as possible. That's a user-friendly approach that a lot of states are-- are adopting. I appreciate the Department of Revenue has to update a line on their form, and they charge a cost for that regardless of what that line may be. But I think that's well worth the investment. And I think it's also critically important that we not-- that we ensure that-- that no Nebraskan loses their state-- any state aid benefits because they're investing in their kid's college education. Both in the case of charging for income tax and in the case of using 529 benefits against a person who's saving for their kids, it's important to remember the person-- if we-- if we were to charge income tax, the person paying the tax is the parent. The person receiving the benefit is the kid. The overwhelming majority of accounts in Nebraska Educational Savings Trusts are set up by parents or grandparents for their kids or their grandkids. And it really doesn't make sense, and it is fundamentally-- in my view, it's fundamentally unfair to charge income tax to an employee because their employer is giving that employee's child a benefit that-- if the employer chooses to do that. So in my view, this will keep us on a trajectory of my fundamental goal which is to make the Nebraska Educational Savings Trust the most attractive college savings plan in the country. We currently have 275,000 accounts in our college savings plan. There are over $5 billion invested in our college savings plan. We have a very good plan. It is-- it's-- it's one of the reasons why we've been so successful signing people up from across the country. But we have a lot of work to do in raising awareness and-- and dispelling some misnomers as to-- as Senator Wayne correctly said, some of the misnomers that Nebraskans have that these funds have to be used at four-year universities. They have to be used at this-- at the University of Nebraska. None of those things are true. We have a lot of jobs that are available that don't require four-year degrees. 529s can be used to get training for those jobs. And we need to do what we can to raise awareness in the people of Nebraska that these funds can be used for that purpose and can help us address the work force development crisis that we all know that our state faces. So again, I thank Senator Wayne for introducing this legislation. I think this will move the ball forward for our state. And I'd be happy to answer any questions that you may have.

LINEHAN: Questions from the committee? Senator Groene.

GROENE: I love that I can question you, and I don't have to worry about you voting against my bills [LAUGHTER] anymore now that you're not a senator.

JOHN MURANTE: I might move to North Platte and vote against you, Senator Groene.

GROENE: Those 529 plans are just state deductions, right?

JOHN MURANTE: State income tax deductions and then whatever investment growth happens would grow tax-free.

GROENE: But no matter what, the employee would still pay federal taxes on this even though it was-- it was given to-- directly deposited by the employer into a 529.

JOHN MURANTE: Yeah. Federal income tax? That is a-- I think the-- in theory, the answer to your question is, yes. The reality is getting employers to start-- across the country, getting employers to start giving this benefit has been a very slow process. And it's unclear as to whether the federal government is even charging income tax because it is used so infrequently. But I think at least their policy is, yes.

And it is-- it has been demonstrated to be somewhat of a theoretical deterrent.

GROENE: The business is going to show it as a deduction somewhere. They're going to either have to show it as a benefit to the employee or a wage.

JOHN MURANTE: The business is not taking a deduction.

GROENE: Well, when they deduct employee costs as wages, they do. I mean their cost of-- their net income. So somewhere in there, it's--

JOHN MURANTE: OK. I think-- I think I see what you're saying.

GROENE: But I just-- but the employee, it would be a gray area if they would still have to pay federal income taxes on that.

JOHN MURANTE: Yes, I think the federal government would, of course, want their money because the federal government likes that sort of thing, but I think that from the state's perspective, we really should not be charging income tax on--

GROENE: That's true. On any-- you mentioned going 529 to the child's account. Now they're set up under the parents or grandparents name, right?

JOHN MURANTE: Yes. So you have the custodial account and then you have the beneficiary. So in almost every situation there is a custodial account, the beneficiary is either a child or grandchild. There are-- I think it's 6 percent of the state where the custodian and the beneficiary is the same person. But that's very, very uncommon.

GROENE: So this would be-- someone said earlier that it would be the-- into the child's account, but it isn't because a grandparent sets up an account and they might have five grandchildren. They put it under one name, but they can move that money around if they want between the five grandchildren.

JOHN MURANTE: Yes, 529 accounts can be rolled over from sibling to sibling. Yes.

GROENE: Yes. All right. Thank you.

LINEHAN: Thank you, Senator Groene. Other questions from the committee? Looks like none.

JOHN MURANTE: Thank you, members.

LINEHAN: Thank you. Proponents?

DEBORAH GOODKIN: Thank you, everyone. Nice to see you. My name is Deborah Goodkin, D-e-b-o-r-a-h G-o-o-d-k-i-n, on behalf of First National Bank of Omaha, the program manager for Nebraska's college savings program, NEST. And I'm happy to be here. Thank you. I'm actually going to talk about LB610 and LB545 together as others have. A tax credit to an employer for matching contributions to an employee's NEST account and allowing the employer match to be excluded from gross income for an employee is a top initiative of the college savings plan industry for many years. And I am a member of some of the executive committees at the National Association of State Treasurers. Paying for college is a top concern among parents, and we believe that this incentive will be the impetus that businesses need to include 529 plans in their benefits package. So why is it so important? Well, employers want the benefit to attract, recruit, and retain great employees. In the current low-unemployment market that we've enjoyed, prospective employees shop for the best salary and the best benefits. And while benefit packages are generally the same across similar industries, an employee match could be the differentiator by providing a unique and tangible financial benefit. Employers deeply understand their trouble-- the struggles employees have to pay for the college for their children. And many fear that the employee will take a loan from the 401(k) for that purpose. And some do, unfortunately. A match also helps retain and create loyal employees. With-- when an employee sees that the employer is financially invested in their family's future education, it strengthens employee loyalty. And the cost of college can be a burden. And saving for college can be financially difficult and emotionally trying for that employee. Easing the burden through an employer match will be pretty unforgivable-- unforgettable, not unforgivable. NEST participants' savings will grow faster with a matching contribution, creating incentives for them to contribute more. And finally, encouraging employers to match, alongside the state tax deduction for that match, will increase employee awareness of the state's NEST 529 plans. And higher educational achievement is a statewide goal as is growing Nebraska's educated and talented work force. With employers and the state working as a team to help families come closer to meeting the cost of college and their goals-- their child's dream of going to college or technical school, vocational school, the parents, children, and the state of Nebraska, will all benefit from this initiative. Any questions?

LINEHAN: Questions? Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thank you for being here. How do other states handle this? Are you aware of that?

DEBORAH GOODKIN: The same way.

BRIESE: The same way as--

DEBORAH GOODKIN: Those states that have this have been pretty successful. And this bill mirrors other state bills that have passed and are implemented right now.

BRIESE: OK. But it's the majority of states, would you guess?

DEBORAH GOODKIN: The majority of states have not. But Colorado, Nevada, Illinois, Utah, and several others, it's an up and coming bill that's being introduced one by one throughout the country.

BRIESE: OK. And the provision here for being able to have your refund transferred to this account, is that typical in other states also?

DEBORAH GOODKIN: That is typical in other states, and I believe that that's LB688. Colorado, Oregon, Ohio, Virginia, and about three others do do direct deposit refund.

BRIESE: OK. Very good. And that-- the intent of that is simply for employee convenience?

DEBORAH GOODKIN: For the direct deposit refunds?

BRIESE: Yeah.

DEBORAH GOODKIN: It's-- outside of employees, it's anyone who has an account, and it's--

BRIESE: Yeah.

DEBORAH GOODKIN: --absolutely for the convenience. And I guess I'll be testifying later on that bill? Or you want me to tell it now? I don't know which you would prefer. My answer would be, you know, if I get a check or my child gets a check-- a lot of millennials open accounts.

And if I get a check, where does that check go? I mean, you get a refund. You have to put it into a bank account. Then you have to remember to send it into your NEST account. This way is a much easier way, cleaner way, of their intention to put it in for college savings.

BRIESE: And the convenience would create additional participation, I assume.

DEBORAH GOODKIN: Absolutely.

BRIESE: OK. Thank you

LINEHAN: Thank you, Senator Briese. Are there other questions? Just a clarification, I'm trying to read this. The fiscal note, which maybe you've looked at or not looked at, it's OK--

DEBORAH GOODKIN: I know.

LINEHAN: --they said that it would-- there would be $1,296,000 lost in revenue by the year '21-'22. How much money would that mean-- have you-- do you have an idea of the amount of additional funds that would be flowing into these accounts if this was part of the package? Do you have an estimate?

DEBORAH GOODKIN: I-- I don't have an estimate. I do know that currently-- I did a quick look last night. About 73 Nebraska companies, employers, currently allow their staff to take a tax deduct-- a direct deposit straight into the NEST plan.

LINEHAN: Oh, really? 73?

DEBORAH GOODKIN: 73. Now those would be the first ones we go to, to encourage them to, you know, open it up for more employees. And we have an active program going out to employers in the state of Nebraska to sign employees up for NEST. But this would be another impetus for people to open up an account. I really-- I can't-- I don't want to say--

LINEHAN: Oh, that's OK.

DEBORAH GOODKIN: --that I don't agree with the Revenue, but I would say it's not-- I can't imagine it would be that amount. And you offset it by the benefit of an employed, employable work force.

LINEHAN: OK. Thank you. Other questions? Thank you very much.

DEBORAH GOODKIN: Thank you.

LINEHAN: Other proponents? Any opponents? Anyone testifying in the neutral position? Senator Wayne, would you like to close?

WAYNE: No, I'm just here to answer any questions. Usually I have opponents, so this is weird to me so I'm going to get out of here as soon as I can. OK.

LINEHAN: Are there any questions for Senator Wayne? There you go. Thank you.

WAYNE: Thank you. Have a great day.

LINEHAN: We do have a letter for the record from proponent Kristen Hassebrook, Nebraska Chamber of Commerce. And with that, we close the hearing on LB545 and open the hearing on LB610. Senator Lindstrom.

LINDSTROM: Thank you, Madam Chair, members of the Revenue Committee. I am Senator Brett Lindstrom, B-r-e-t-t L-i-n-d-s-t-r-o-m, representing District 18 in northwest Omaha. And I'm here today to introduce LB610, the College Savings Tax Credit Act. The College Savings Tax Credit Act is designed to encourage Nebraska employers to offer their employees an added benefit in order to attract and retain workers. Currently benefits such as 401(k)s, health insurance, gym memberships, and child-care services are commonly offered to employees in this country. I would like to see more employers beginning to offer this type of benefit to their employees. As introduced in the green copy of LB610, the act would entitle a nonrefundable credit against the income tax imposed by the Nebraska Revenue Act of 1967 in the amount of-- amount equal to 25 percent of a taxpayer's matching contribution, not to exceed $2,000 per contributing employee per taxable year. An important note is that this is-- that is-- that only matching contributions to that of an employee's contribution would be eligible for the tax credit for the employer. In the end, it is my goal to increase not only the number of employers that offer this type of benefit to employees, but also easier access to higher education for students that will result in less student debt. Research continually shows that even small amounts of educational savings lead to increased college or vocational school enrollment and completion. And LB610 has a real opportunity to help significantly grow Nebraskans' 529 accounts. Other positive benefits to this legislation will result in increased asset accumulation for students, less student debt from higher education, increased post-secondary education enrollment, increased financial resources for higher education, improved financial literacy, improved parental mental health. During my time in the Legislature, I have continually worked to incentivize economic growth in Nebraska. I've also worked to ensure employees have all the tools they need to attract and retain well-educated and productive work force. LB610 is a bill in which everyone can be behind to ensure Nebraska's businesses can offer this exciting new benefit to their employees. I urge the committee to support LB610 which has broad bipartisan support in the Legislature and among the business and educational communities. Treasurer Murante will be testifying behind me, but I'll be happy to take any questions that the committee has.

LINEHAN: Thank you, Senator Lindstrom. Committee have any questions? Seeing none, thank you.

JOHN MURANTE: Thank you, again, Chairwoman Linehan. Again, my name is John Murante, J-o-h-n M-u-r-a-n-t-e, and I am the Nebraska State Treasurer. Again, as part of my role as State Treasurer, I serve as the trustee of the Nebraska Educational Savings Trust which is our college savings account program. I do want to briefly go over some of the statistics that was discussed yesterday in the Education Committee relative to the benefits of having college savings just to illustrate some of the importance of what we're talking about here. And it's not just about saving for college. It's also about changing the mindset and psychological profile of kids while they're in K-12 schools that-- that alters their decision-making and improves their-- their K-12 outcome. First, it does not take much money saved to have a significant effect on the behavior and decision-making of kids, even amounts as low from $1. Any kid who has an amount saved for college between $1 and $499, so less than $500 but something, by the time they're in the eighth grade. Those kids are 4.5 more-- times more likely to graduate from college than kids who have nothing at all. So $500 makes kids 4.5 times more likely to graduate from college. That is a staggering statistic [INAUDIBLE] little amount of money. We found that one of the most determining factors as to whether a kid goes to college, more so even than their own academic performance, is their parents' expectations for their kids to go to college. And one of the most important variables as to whether a parent expects for their kids to go to college is whether they have any college savings. So you can really move the needle and change the number of people who are going to college in this state simply by putting small amounts of investment into college savings accounts. A statistic that I found was-- was rather fascinating was that of-- of kids whose parents expected them to go to college, 70 percent of those kids went on to go to college. Of kids who did not, only 30 percent ended up going to college. So the amount is staggering. And the parent-- parents who have any sort of college savings for their kids, those kids are 30 percent more likely to go to college. By way just to illustrate the numbers, there are about 300,000 kids in Nebraska's K-12 schools. So moving the needle by 1 percent is 3,000 more kids who go to college. And it's not, as we said in the first bill, it's not simply the University of Nebraska or four-year universities. We're talking about technical schools, trade schools, vocational schools, those schools which require the training to fill the jobs. As we all know, there are more jobs in the state than there are qualified people to fill them. So this really is-- 529 is really our-- a very cost-efficient tool and vehicle to get kids those-- the training, and adults for that matter, the training they need. Now with respect to the fiscal note on this bill and the mechanics of it, I have to say, once again, that I have to respectfully disagree with our Department of Revenue. If this fiscal note is accurate, it would make this bill by far the most successful employer tax credit ever passed in the United States. I do have the fiscal note of the state of Colorado who is the most recent state to pass this. They think-- they said when they passed it that it would cost about $50,000. And their reasoning for it was pretty simple. I'll read their reasoning. The assumptions are based on the experiences of two states with similar tax credits, Illinois and Nevada. The employers in both of those states claimed a similar tax deduction. Since 2009, in the state of Illinois, only seven companies have signed up for the-- for the employer credit. The state of Nebraska-- excuse me, the state of Nevada has had this income tax credit since 2015. And as of December 31, 2017, no employer has utilized the credit. So this is very much a-- a slow process to get off the ground and get started. So what I would propose, and Senator Line-- Lindstrom and I have discussed this, is if the Department of Revenue doesn't want to run this program this way, that's fine. We would suggest sort of reversing the flow and running the money instead through the State Treasurer's office, develop a cash fund. We already have the information of what employers-- what third parties contribute to 529s in the state. And we can distribute the money to those employers at no fiscal cost to our office. So you can eliminate the fiscal note to the cost to the Department of Revenue by running it through us because we already have the information necessary to effectuate this legislation. The only thing we would need, of course, is the money to send to the employers which would come presumably from the General Fund. So that would have a fiscal impact. But in terms of the mechanics, of how our office would function, it would eliminate that particular portion of your fiscal note. And we would anticipate that we would have, obviously, a fraction of the fiscal note that the state of Colorado had as we are a much smaller state than the state of Colorado. So we wouldn't anticipate even a fiscal note as high as their $50,000 fiscal note. So we would anticipate a fraction of that. So I believe that changing the mechanics through a committee amendment will address a significant part of-- of our fiscal note. And I think-- I know that we are already sitting down with the Department of Revenue to go over with what we believe is a data-driven decision as to how many employers are actually going to begin utilizing this benefit. Even with the tax credit, we understand it's going to be a tough slog. I've said from the very beginning, some of the biggest challenges facing the trust is the lack of awareness and the lack of access. Those members on the Education Committee have probably heard me say that a dozen times already. That's-- that's a reality. So we understand it's going to be a slow process, but this is an important step because employers are going to be part of the solution of getting more kids signed up for college savings. And if I haven't stated the statistic to this committee, as I know I did to the Education Committee, only 16 percent of Nebraska's kids have some sort of college savings through the Nebraska Educational Savings Trust. So we have a long ways to go. I think we have a very good product that we're selling. We have some of the best returns in the country. We are consistently ranked in the top five. But Nebraskans can't invest in something if they don't know it exists. So it is part of my top priority to go out and spread the word. And I think passing this bill will go a long way to spreading the word and to increasing access and awareness to our 529 accounts. And I'd be happy to answer any questions that you may have.

LINEHAN: Does the committee have any questions?

GROENE: Chairman Linehan.

LINEHAN: Senator Groene.

GROENE: Thank you. Thank you, Chairman. Maybe I don't know numbers, but 25 percent credit of the employer's share, right?

JOHN MURANTE: Of the employer's share, yes.

GROENE: Up to $2,000.

JOHN MURANTE: Um-hum.

GROENE: Well, you divide $50,000 by .25, that's only-- Colorado thinks there's only $200,000 going to be put into this plan by the employers?

JOHN MURANTE: Yes. As I said there's-- that was their fiscal analysis. And when you compare it with what states substantially larger, like Illinois is substantially larger than Colorado, that only had seven companies take part in the program, it is difficult to spread the word. 529s are comp-- they're-- they're not really complicated, but they're not, on their face, self-evident as to what they mean. So it's difficult to-- to spread the word about it.

GROENE: And then in Nebraska, their estimate if that's that $2,880,000, they would be expecting $11 million-something in contributions.

JOHN MURANTE: Yeah. I would love to believe that we're in the realm of the real. I don't believe that it is. But I think, if you look at-- even if you look at comparisons with retirement plans, I don't know how we could possibly get to those numbers anytime in the near future.

GROENE: All right.

JOHN MURANTE: I'd like to believe that we could. But I just-- it's going to take a--

GROENE: We're more benevolent here, aren't we?

JOHN MURANTE: What's that?

GROENE: I think it's more benevolent here, but not as mellow. We don't have the marijuana law.

LINEHAN: Thank you, Senator Groene. Other questions from the committee? I'm sorry, Senator Crawford.

CRAWFORD: Thank you, Chairwoman. And thank you, Treasurer. I wonder if you would just clarify again how it would work if you-- if it was run through the Treasurer's office instead of the Department of Revenue?

JOHN MURANTE: Sure. So this would be similar to what Senator Wishart's bill does in the Education Committee. So rather than making it an income tax credit, what we're doing is we're saying, look, it's you the Legislature setting up a cash fund. You're asking our office to analyze how many employers make a contribution to our-- to employees. We already have that information, so that's easy enough. Transfer out of the General Fund into that cash fund, the money necessary to meet the requisite-- the requirements in the bill. And then we distribute it to the employers out of that cash fund.

CRAWFORD: So it would be a set stipend then--

JOHN MURANTE: Essentially. They're getting a check.

CRAWFORD: --that goes to a nonrefundable tax credit--

JOHN MURANTE: Yeah. Right.

CRAWFORD: --then, just a check for 25 percent.

JOHN MURANTE: And if that is a-- you know, that's not ideal. That's not the way most states do it. But if-- again, if that's what it takes to eliminate the fiscal note, at the end of the day, the employers that we're trying to incentivize are getting their incentive. And that's, in our view, what's most important.

CRAWFORD: Thank you.

JOHN MURANTE: Sure.

LINEHAN: Thank you, Senator Crawford. Other questions from the committee? No other questions? I don't see any other questions.

JOHN MURANTE: Thank you, members.

LINEHAN: So that's, proponents?

DEBORAH GOODKIN: Hello, my name is Deborah Goodkin, D-e-b-o-r-a-h G-o-o-d-k-i-n. By the end of this, you will know how to spell that backwards and forwards. I'm here in favor of this from First National Bank of Omaha. The majority of my discussion already occurred in the previous bill. I just want to emphasize that what we're talking about is having something available to everyone regardless of the size of their employer base or the number of employees they have throughout the state of Nebraska. And I think the most important thing is that you're reaching everybody, and it's becoming a benefit. And the employers have the option of doing it or not doing it. And I can't think of a better way other than going into every single elementary school to spread the word about the importance of saving, the importance of fiscal responsibility and financial responsibility, and having a part of a benefit package that sooner or later, next couple of years, is-- is going to be really important to every employer, to be able to give yet another benefit. I want to mention, this is a no-cost benefit to them. For them to be able to send in money through direct deposit, doesn't cost-- in our experience, it hasn't cost any employer any money to set it up. So as long as a paycheck can go to more than one source, some can go to pay their mortgage. Some could go to 401(k)s. Some money can go to their bank account, and the other would go to college savings. And it's-- it's extremely easy to set up, and there are a lot of employers that we currently work with on a day-to-day basis. So I want to say, it's good for the employer, it's great for the employee, and it's great for the state of Nebraska.

LINEHAN: Thank you very much.

DEBORAH GOODKIN: Thank you.

LINEHAN: Questions from the committee? OK. Seeing none--

DEBORAH GOODKIN: Thank you.

LINEHAN: --thank you. Other proponents?

JENNIFER CREAGER: Chairman Linehan, members of the Revenue Committee, for the record, I am Jennifer Creager, J-e-n-n-i-f-e-r C-r-e-a-g-e-r, senior director of public policy for the Greater Omaha Chamber. I had submitted a letter to this committee in support of what I thought was this bill, but I just figured out I put the wrong bill number on it. So I'm here to clarify that I'm in support of LB610. Our letter says I'm expressing our support for LB610, a proposal to allow a tax deduction for employers who match employee contributions to college savings plans. We thank Senator Lindstrom for bringing this to the committee. There is a natural connection between the education of our children and the preparation of our work force. LB610 recognizes that employers can play a critical role in providing employees with opportunities to advance their family's educational attainment. This directly benefits employers in turn, by laying the foundations for a stronger work force. We believe LB610 represents but a modest step, but it is one that will provide significant benefits for Nebraska's work-force development efforts. Thank you for your time and consideration, and I apologize for my-- that will teach me to multitask in other areas.

LINEHAN: When you're a mom.

JENNIFER CREAGER: Yeah.

LINEHAN: Thank you. Are there questions from the committee?

JENNIFER CREAGER: Thanks.

LINEHAN: Thank you. Other proponents? Any opponents? Anyone wanting to testify in a neutral position? OK. Senator Lindstrom, would you like to close?

LINDSTROM: Thank you, Madam Chair. I will be brief. I just want to thank Senator Murante-- Senator Murante, not used to it yet, I'm sorry, Treasurer Murante, with his initiative on this. I think it's vitally important, particularly, you know, being a young dad. But I know we have some younger members in the audience today from First National Bank and their leader-- leadership, and I think they could get up and talk about time-valued money. And when you can start young and start saving for a child's education early, it just, no pun intended but, it pays dividends long term, especially when you have education costs going up exponentially. And so I just appreciate the initiative. I think it's a good step for Nebraska to take to educating our youth, and it ties into a lot of different things with education, work-force development, a whole host of things. So with that, I'd be happy answering final questions. Thank you.

LINEHAN: Thank you. Are there questions for Senator Lindstrom? Seeing none, thank you very much.

LINDSTROM: Thank you.

LINEHAN: We do have a letter for the record: Kristen Hassebrook, Nebraska Chamber of Commerce, proponent; and, proponent Colby Coash, Nebraska Association of School Boards. There were no opponents, and no one submitted a record in neutral position. So with that, we bring hearing from LB610 to a close, and we will open the hearing on LB688. There she is. Amazing timing.

CAVANAUGH: Thank you.

LINEHAN: You're welcome.

CAVANAUGH: Thank you. Thank you, Chairwoman Linehan and members of the Revenue Committee. My name is Machaela Cavanaugh, M-a-c-h-a-e-l-a C-a-v-a-n-a-u-g-h. I represent District 6 in west central Omaha. I'm here to introduce LB688 today which would allow Nebraskans to designate a portion of their state income tax refunds directly to a 529 NEST account on behalf of their child or grandchild. For those of you who may not be familiar with it, but I'm guessing that you are very well familiar with it now, the Nebraska Educational Savings Trust, or NEST, is a 529 college savings plan program that was first instituted here back in 2001. It allows a parent or grandparent to deposit funds into an existing tax-free investment account to save money for a minor's college education. There are many ways to deposit funds into a NEST account. May be going to be more ways soon, including wire transfers, checks, payroll deduct-- payroll deductions, and so on. LB688 will allow Nebraskans to designate a portion of their state income tax refund directly to the account. As many of you know, I have three young children. Getting my taxes done every year is an undertaking. Managing my bills monthly is an undertaking. This will make it simpler and more convenient for parents and grandparents to save money for a child's education so that when the child goes-- does go to college, the family is better able to bear the expense. In closing, I ask that you vote to approve LB688. I'm glad to answer any questions the committee may have on the bill.

LINEHAN: Are there questions from the committee? Senator Crawford.

CRAWFORD: Thank you, Chairwoman and thank you, Senator Cavanaugh, for being here today. I just want to clarify that it is-- it is the tax refund that's already owed to the--

CAVANAUGH: Yes.

CRAWFORD: --citizen that we're talking about.

CAVANAUGH: Yes. So you can have the tax--

CRAWFORD: So you're directing it to their account.

CAVANAUGH: Exactly. So you can have your tax--

CRAWFORD: So I wonder-- I don't know if you've looked at the fiscal note for your bill or not, but--

CAVANAUGH: It's--

CRAWFORD: --but I was wondering why there would-- if you had any sense of why there would be a $677,000 loss to revenue because it's just their-- their deductions. It's their deductions that are already owed to them, right? It's not any new tax credit or--

CAVANAUGH: Right. No it is just a-- you get your income tax return and it goes-- you can have it direct deposited into your bank account or you can divert funds too.

CRAWFORD: Right.

CAVANAUGH: So I do not know why there would be any loss to revenue--

CRAWFORD: Right. Yeah.

CAVANAUGH: --at all unless this is an indication of an increase of getting the tax deduction that you get with a NEST account that they're projecting which would be amazing if that many-- if the state got a loss of $677,000 in revenue. It would mean that a lot of people are saving for their children's college. So hopefully--

CRAWFORD: I was trying to figure out where it came from.

CAVANAUGH: No, but the $67,000 is the actual expense it would be to just update the forms, website management, and all those things. But the loss in revenue, apparently we think everyone's going to really take hold of this which would be great.

CRAWFORD: Thank you.

LINEHAN: All right. Thank you, Senator Crawford. Other questions from the committee? I'm just going to say a comment for the record. It's not really a question. But I think if they're going to do this, throw a number, the Fiscal Office or the Department of Revenue throw a number, they owe some explanation on the fiscal note as to why that's the number and what that means. I mean, we have no way of knowing what their-- to your point, maybe that means that, you know, half the kids in Nebraska next year have a savings account. But it would be nice to know what-- where they came up with the number so. Any other questions? OK. You'll stick around?

CAVANAUGH: I will.

LINEHAN: OK. Thank you. Are there proponents, please?

JOHN MURANTE: Thank you, Chairwoman Linehan. Again, for the record, my name is John Murante, J-o-h-n M-u-r-a-n-t-e, and I'm Nebraska State Treasurer. And I'm here today to testify on behalf of LB688. And I want to thank Senator Cavanaugh for her leadership on this bill. I think that anything we can do to make the Nebraska Educational Savings Trust more user-friendly, increase and incentivize the ease of use, to become-- to have college savings accounts accessible, I think we need to do everything we can. This is something that, as Ms. Goodkin from First National Bank of Omaha mentioned, these proposals before you are-- are really good ideas that other states have implemented that are sweeping across the country, and I think that Nebraska needs to take advantage of this as well. I will say, in our discussions of the fiscal notes on-- on all of these pieces of legislation, I don't believe that any college savings program in the nation, any-- any collaborative of college savings plans, any directors from college-- anyone who runs college savings programs in this nation were contacted about the cost of this bill, of-- of any of these bills because if they were, I think that you would find much more reasonable expenses because as was previously mentioned, getting these programs off the ground is very, very difficult. And-- and-- and even encouraging parents to save for their kid's college education is challenging enough. Informing them of 529s, and then selling Nebraska's NEST program as the 529 of choice is all very, very difficult. And in reality, we're not just in competition as a NEST program with the 49 other states, we're in competition with any other vehicle for savings. And in fact, the most common vehicle for savings for college education is a simple savings account at a bank. That's what we're competing with. So we have to go out and inform the people of Nebraska about the benefits that come from investing through the Nebraska Educational Savings Trust. I believe Senator Cavanaugh's bill is a very user-friendly, business-minded approach to make contributions to kids' 529 accounts as easy as possible. And I would encourage this committee to advance this-- this piece of legislation and the other bills that you have. And be happy to answer any questions that you may have.

LINEHAN: Thank you, Treasurer Murante. Senator McCollister.

McCOLLISTER: Yeah. Thank you, Madam Chair. Treasurer Murante, the $67,538 is simply programming expense to set up the program?

JOHN MURANTE: So it's not our expense. My understanding, and I sat down with Director Fulton in my office for an explanation on-- on this bill and other bills that deal with it. What-- the explanation I got was, any bill that adds a line to the income tax form is going to have a $67,000 fiscal note. And that's what OCIO charges, and that's what the fiscal notes going to be regardless of what the line is. Does it actually cost $70,000 to add a line to the tax form? You can be the judge of that, but that's the explanation that I've received.

McCOLLISTER: I understand. But in fiscal year 2021-22, there is a promotion expense of $677,000. Now, is that coming from your department?

JOHN MURANTE: Certainly not. We did not-- when we wrote the fiscal note on this bill, we-- we said it had no fiscal impact on our office. I have to assume, based on the conversation that happened between Senator Cavanaugh and Senator Crawford, I have to assume the same, that they are assuming that if-- if this bill gets passed, that there is an infusion of millions of dollars into the Nebraska Educational Savings Trust going forward. And that's-- that deduction is what-- is what produces that number. But I don't know that they could find any other state that would have that experience. I don't know that-- that could not be a data-driven number. I'll put it that way.

McCOLLISTER: Yeah. How many other states have similar programs if you know?

JOHN MURANTE: The rollover? I don't have a number. I know that it's very common. As I-- I'm not sure you were here when I mentioned this earlier, Senator McCollister. But this is one of those things that, when the state treasurers all get together and talk about college savings program and do a scorecard of which-- which program is best, which is the most user-friendly, this is one of those box that we're all trying to check. So it's-- it's-- it's not uncommon, but I don't have the exact number.

McCOLLISTER: Thank you, Treasurer Murante.

JOHN MURANTE: Sure.

LINEHAN: Thank you, Senator McCollister. Are there other questions from the committee? Seeing none, we'll have the next proponent.

JOHN MURANTE: Thank you.

LINEHAN: Uh-huh.

DEBORAH GOODKIN: Hi. I'm Deborah Goodkin, D-e-b-o-r-a-h G-o-o-d-k-i-n, on behalf of First National Bank of Omaha, the program manager of NEST. We are testifying in support of LB688, to facilitate the electronic transfer of refunds into a NEST account. If you're like me, I sit with checks for weeks until I deposit them. And if you're also like me, remembering to take the extra step to move the money from your bank account to an investment or savings account not held at my bank, has to fit into a very, very busy schedule. And direct depositing refunds into NEST account will absolutely make it much easier for Nebraskans to save. With 65-- parents own 65 percent of accounts in the direct plan and grandparents about 25 percent. While-- while the grandparents will probably find this a very easy way to move money, certainly parents will. Even the younger parents, who we're trying to-- we are trying to enroll in the 529 plan, should find that electronic transfer sort of-- exactly how they do all of their other financial transactions. With only one step to take, you just have to identify the account and the amount on the tax return, saving for the refund will become easy and it will not be forgotten. And millennials who are most likely to have a NEST 529 account and are-- at the moment, are used to doing everything electronically. So we should take this step like Colorado, Io-- Ohio, Oregon, Indiana, to name a few of the very big plans that actually allow this transfer. We want to initiate ways, any way we can, to make it easier for families to save for the children's future education. And with its top of mind, you're getting a refund and you're moving it in, it's going to be a great way to help them save for their child. And parents and grandparents will thank you. Thank you.

LINEHAN: Thank you. Do we have questions from the committee? Ms. Goodkin, I actually have one, I'm sorry.

DEBORAH GOODKIN: Sorry.

LINEHAN: That's OK. No. I hesitated there. And I don't know if you can-- if you know this number-- if you can get the committee this number. It's been a small percentage of the total accounts that First National has, are Nebraskans. Do you have any idea what Nebraskans currently-- or could you get us a number of what Nebraskans currently save annually? Just Nebraskans, not the rest of the people.

DEBORAH GOODKIN: Right. I could easily get you the number. Treasurer Murante was talking about 16 percent of children who are under 18 years old have an account in Nebraska-- of Nebraskans under 18 years old have an account. That is a really great number when you look at all the other states around the country. But it winds up that 65 percent of the net Nebraska or NEST direct accounts are held by Nebraskans so individuals have more than one account for the same beneficiary. Grandparents might-- I've seen one grandparent that has 20 accounts. So while the penetration rate, which is the number of unique kids that are served, is 16 percent, as I mentioned that's a really great penetration number, actually 65 percent of Nebraska direct account owners. Those are people not going through advisers. And 35 percent of all adviser accounts, people going through advisers, 35 percent are Nebraskan. So I don't know if that answered your question. We get in about-- about 100-and-- I don't have the number for how many Nebraskans contribute.

LINEHAN: Wait. You don't need-- what I'm looking for-- I'm trying to figure out-- I'm going backwards from the fiscal note. It's a $677,000 cost in lost revenue is what they're saying. I've got a number, but I'm not going to say because I don't know if it's right. But I was just wondering how much money Nebraskans deposit in those accounts today.

DEBORAH GOODKIN: I actually don't have the number on me.

LINEHAN: And it's fine that you don't. Just get that.

DEBORAH GOODKIN: It's something like, for the entire plan, it's about $500 million but not Nebraskans.

LINEHAN: But see, that's not Nebraskans. I just want to know Nebraskans.

DEBORAH GOODKIN: She probably has it right there.

LINEHAN: OK. Well, then he can get it to me later and we'll share it with the committee.

DEBORAH GOODKIN: OK. Thank you.

LINEHAN: OK.

DEBORAH GOODKIN: Thank you. I do think that Revenue number is really quite high. You can't assume that 100 percent of the refunds are going to go into NEST. A certain-- certain percentage of that will. And every bill that we could ever save for NEST, we-- do we not go forward because we're afraid more people are going to save and therefore it's going to be more of a tax deduction? I mean, it's circular reasoning.

LINEHAN: Yes. Yes. Thank you very much.

DEBORAH GOODKIN: Thank you.

LINEHAN: Other questions? None. Thank you. Hi.

JULIET SUMMERS: Good afternoon, Madam Chair, members of the committee. My name is Juliet Summers, J-u-l-i-e-t S-u-m-m-e-r-s. I'm here representing Voices for Children in support of LB688. Our state policies should incentivize saving and support families trying to build a better future for their children. We support this bill which would make it easier for parents and grandparents to use tax refunds to save for children's higher education by allowing state refunds to be directly deposited into 529 accounts. This is a simple change that could improve the educational outlook for many Nebraska children. It's not going to be news to this committee that the cost of higher education has skyrocketed in the past decade. From 2004 to 2017, student debt quadrupled, rising from $345 billion in 2004 to nearly $1.4 trillion in 2017. And student debt is now the second-largest type of household debt after mortgage debt. And that is a statistic that I feel quite personally. In 2017, 54 percent of Nebraska college seniors graduated with debt, and the average amount was $25,750. These trends have made saving for higher education significantly more important. Many states and cities have been working to promote saving for higher education. And LB688 is by no means-- no means a panacea for the issue of affordability in higher education, but it takes a simple and low-cost step toward encouraging families' key role in saving for their children's education. Tax-filing season is one time of the year when families may have a little extra money in the bank to spend or invest as they see fit. Allowing some or all of that refund to be invested directly in a 529 simplifies and promotes the option of using the money to invest in a child's educational future. Even small investments can make a large impact. As Treasurer Murante noted earlier, studies have shown that low-income children with $1 to $499 in college savings are three times more likely to enroll in and four times more likely to complete college. Among children who expect to go to college, those with a savings account are six times more likely to attempt than those with no account. Meanwhile, research into two-generation economic mobility shows that college graduates are 5.3 times more likely to leave the bottom quintile of American income than nongraduates. So taken together, these findings suggest that an educational savings account, however small, increases the likelihood of both seeking and completing a post-secondary degree and thus improving young Nebraskans economic upward mobility. All in all, this bill is a practical and low-cost way of encouraging more families to save for their children's education at a time of the year when they would have money available to do so. And we would respectfully encourage the committee to advance it. I'll take any questions.

LINEHAN: Thank you. Are there questions-- are there questions from the committee? Seeing none, thank you very much.

JULIET SUMMERS: I did want to note that I preemptively sent this testimony as a letter in case I couldn't make it today, so please ignore my redundant letter of support.

LINEHAN: All right. Thank you very much. Other proponents?

JO GILES: Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Jo Giles, J-o G-i-l-e-s, and I'm a resident of District 18 in northwest Omaha. I'm here today in that capacity to support LB688 which would provide for contributions from income tax state returns to NEST accounts for college savings. I learned about this idea through research about this Legislature's Intergenerational Poverty Task Force in my professional role as policy and training director with the Coalition for a Strong Nebraska or CSN. Our coalition is nonpartisan and made up of 100 nonprofit and service provider organizations that are committed to commonsense public policy solutions around poverty alleviation. In reviewing two-generational policy strategies, I noticed that other states, such as Utah and Colorado, allow individuals to split their tax refunds to contribute to savings-- college savings accounts. It is one policy strategy to create financial stability and to encourage post-secondary education in low- and moderate-income families. According to a study from the Center for Social Development at, my alma mater, Washington University in St. Louis, and that's the brief that I have passed out for you and it has been mentioned before by other testifiers, the amount of savings from $1 to $499 increases the likelihood that students will go to college and graduate from college. This illustrates that just a little bit of college savings makes it feel more accessible for those low- and moderate-income families. A college education will not only break the cycle of poverty but also increase the earnings capacity of an individual over their lifetime. And as we all know, Nebraska has one of the highest-performing 529 plans in the country. Currently the process of relying on regular contributions from individuals favor children from advantaged families. LB688 would remove another barrier to college savings for those low-income families, giving them the option to consider contributions at a time when they have a little more financial cushion. Saving for college is something my husband and I are passionate about for two reasons: one, because we're college graduates and we know the value of education; and, two, because we have experienced the financial impact of student loan payments. And we vow to save as much money as we can for our second-grader so that he can avoid student loan debt in the future. LB688 is a simple, relatively low-cost way to encourage more families to save for college education. I thank Senator Cavanaugh for introducing this bill and all the cosponsors who are supporting it. And I respectfully-- respectfully urge this committee to advance LB688. Thank you for your consideration. I'd be happy to answer any questions.

LINEHAN: Thank you very much. Are there questions from the committee? You did a great job.

JO GILES: Thank you.

LINEHAN: Thank you. Other proponents? Are there any opponents? Is there anyone willing-- wishing to testify in a neutral position? Senator Cavanaugh, would you like to close?

CAVANAUGH: Thank you, Chairwoman Linehan. I do have from-- I was also going to say Senator Murante, Treasurer Murante. And I don't have the excuse of serving with him. So total contributions in Nebraska is $133,024,749. That's in 2018. And total number of individuals is 28,173. So again, if we can increase that, then we're doing what was intended which is to increase the number of individuals and families saving for our children's future. I appreciate the-- the people that came out today to testify on behalf of this bill. As you heard, this is really important for increasing children's access to post-secondary education, something that people at every income level can benefit from. And anything we can do to encourage that and the decrease in debt for our children's future, I think is a-- is a thing we should be working towards together. So I appreciate your time today and if you have any further questions.

LINEHAN: OK. Does the committee have further questions? I guess not. Thank you very much.

CAVANAUGH: Thank you.

LINEHAN: We did have letter for the records on-- that was LB688, right? Almost here. Karen Bell-Dancy, YW-- excuse me, yes, YWCA of Lincoln, Nichole Turgeon, Big Brothers Big Sisters of the Midlands, and Penny Parker, Completely KIDS were all proponents. There were no opponents and no one submitting a letter in the neutral position. So with that, we close LB-- the hearing on LB688. Good afternoon. We now open the hearing on LB705. Senator Murman.

MURMAN: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Dave Murman, D-a-v-e M-u-r-m-a-n. And today I bring LB705 and AM162 for your consideration. Achieving a Better Life Experience, better known as ABLE, are savings accounts qualified under Section 529 A of the IRS. These accounts allow for-- for a tax-exempt savings plan for individuals with disabilities for specific expenses, such as education, healthcare, housing, and job training. These ABLE accounts allow for disabled individuals, family members, guardians, and conservators to save for long-term needs without the designated beneficiary worrying about losing eligibility for Social Security income and Medicaid. ABLE accounts were brought to Nebraska in 2015 by Senator Bolz, making us one of the first states to offer ABLE accounts. As of September 30, 2018, the Nebraska State Treasurer was trustee for across-- approximately 751 Nebraska accounts with roughly $2.5 million in assets. You will see in the document that I gave you that we are amending the bill almost completely. This amendment language makes things consistent with the federal language. It provides that desert-- that the designated beneficiary of an account can transfer their balance to a sibling who also qualifies for the ABLE account. The transfer would need to happen when they are both living. This is definitely beneficial for families that may have more than one disabled child. It provides a sense of security to know that those contributions made to the account will go to help another person in their family. LB705 amended is very straightforward and beneficial. These ABLE accounts are relatively new to Nebraska, but I think they provide a sense of security, not only for the designated beneficiary but those that care about them. I'd be happy to answer any of your questions.

LINEHAN: Thank you, Senator Murman. Are there questions from the committee? Seeing none, will you stick around-- oh, I'm sorry. I'm sorry, Senator Briese.

BRIESE: I do have a question. Thank you, Chairman, and thank you for being here. I didn't see an amendment. Did you provide us with an amendment?

MURMAN: Should have.

BRIESE: I'm missing it.

LINEHAN: Do you have it with you? Maybe.

MURMAN: I've got one copy.

LINEHAN: Thank you, Senator Briese. I just thought I'd lost it. Must be here somewhere.

CRAWFORD: So wait just a minute.

LINEHAN: Sure. Well, looks like we're sailing along.

BRIESE: Thank you.

MURMAN: Yeah. Sorry about that.

LINEHAN: OK. Do you have a copy of the amendment with you now or did you give us all the copies?

MURMAN: Yes, I do. I sure have.

LINEHAN: OK. Senator McCollister.

McCOLLISTER: Yeah. Thank you, Madam Chair. I see that the bill as originally drafted, it didn't comply with federal law. Is that correct? Is that the reason for the amendment?

MURMAN: Yes, that's correct.

McCOLLISTER: But I also see in the fiscal note that-- that it impacts the recovery of Medicaid funds. Can you explain that phenomenon, and what-- why we shouldn't be cognizant of that?

MURMAN: Yes, that-- if I understand it correctly, the fiscal note with it is before the amendment. So with the amendment, I don't think there's any fiscal note.

McCOLLISTER: So if I were to read the amendment more carefully, I'd see that it no-- it's no longer an issue to recover Medicaid estate recovery or that issue is no longer on the-- on the table?

MURMAN: Yes.

McCOLLISTER: OK.

MURMAN: It would only be possible for family member-- another family member while both are living--

McCOLLISTER: OK. Thank you.

MURMAN: --as stated in federal policy.

McCOLLISTER: Thank you.

LINEHAN: Thank you, Senator McCollister. Are there other questions? Seeing none, thank you. You'll stick around for closing?

MURMAN: Yeah.

LINEHAN: OK. Are there proponents for LB705?

JOHN MURANTE: Good afternoon, members of the Revenue Committee and Chairwoman Linehan. For the record, my name is John Murante, J-o-h-n M-u-r-a-n-t-e, and I am the Nebraska State Treasurer. In addition to being the trustee of the Nebraska Educational Savings Trust, the State Treasurer also functions as the trustee for the Enable program. In discussing this legislation with my office, we do agree that a problem exists whereby the potential for a clawback has a deterrent effect on investment through Enable. So from the perspective of the trustee of the trust, we believe that it is-- it will create a healthier trust to pass this piece of legislation. What we really don't want to see is a person, a beneficiary with one of these accounts as they near the end of their life doing what they can to expend everything out of the account with the understanding that if they don't do that, that the money would get turned over to the government. And I'd remind you that this is a program-- this is a-- this is a trust-- a savings account that the Legislature created. And by having a state policy whereby the state comes in and takes the money that's-- that's in the account that is savings and charitable giving largely from family members of the DD community, it disincentivizes that-- that savings which goes contrary to why Enable was enacted in the first place. So with the enactment of the committee amendment and ensuring that the bill conforms with state law, we do believe that this will, to a certain degree, it will-- to-- to the extent possible, mitigate for that particular disincentive. But we want to be encouraging incent-- investment through Enable accounts however we can because we do think it is a good product. We do think it's a good investment. But just like every other state in the country, since I voted for this bill and I'm sure several of you recall voting for this bill as well if you were here, it's a slow go. It's a-- it's a slow build, and it's been tough for Nebraska to build this-- this account as well. And we do believe that the issue addressed by this bill has limited investment through Enable. And passing this legislation will encourage additional investments in Enable, so I encourage you to pass this legislation. Thank you.

LINEHAN: Are there questions from the committee? Senator McCollister.

McCOLLISTER: Yeah. Thank you, Madam Chair. So if I'm reading the notes from this bill, that clawback feature would no longer be effective. Is that-- is that correct?

JOHN MURANTE: So as I understand the committee amendment, and admittedly I haven't given it-- I haven't read it as thoroughly as I would have if I were sitting in your chairs, that the-- the-- the funds can be transferred from one custodial account to another provided that they're siblings and provided that that's done before the custodial account-- the person who is the account holder dies. So to the extent that that happens, then clawback wouldn't exist in that circumstance. With that said, we understand that the-- that's what the federal parameters are, and there aren't going to be all that many instances where that-- that occurrence exists. But it's the best we can do.

McCOLLISTER: Thank you, Treasurer.

JOHN MURANTE: Um-hum.

LINEHAN: Thank you, Senator McCollister. Other questions? Seeing none, thank you.

JOHN MURANTE: Thank you.

LINEHAN: Are there proponents?

EDISON McDONALD: Hello, my name is Edison McDonald, E-d-i-s-o-n M-c-D-o-n-a-l-d, and I am the executive director for the Arc of Nebraska. We're an organization that advocates for people with intellectual and developmental disabilities with 1,500 members covering the state. We advocate for people to live the most integrated lives possible because we know that it is a policy that goes and brings back the most to our community and supports those individuals at the same time. We support LB705 in its original or in proposed amended versions. LB705 is addressing Achieving a Better Life Experience, ABLE accounts, referred to as Enable in Nebraska. This program allows people with a disability to save up for larger qualified purchases related to their disability and not risk losing their benefits. Some of these qualified expenses include education, housing, transportation, employment training and supportive, assistive technology, personal support services, and health care expenses. For many of our members, these accounts are astoundingly beneficial tools. They allow them to contribute towards their own expenses and not have to be dependent upon others for their costs. Without these accounts, many of our members would have a difficult time or be unable to purchase many necessary items and would require government or family expenses and support. This law was passed, I think in 2014, 2015. However, we are now facing an issue that many families are tentative to sign up because of the risk of clawback. The clawback would take the funds invested by the individual and their family to ensure that the independence of the end-- to ensure the independence of the individual, and take it for the state. This leaves many families with concerns that these funds may be lost. This has prevented families from signing up for these accounts. This is not a unique issue to the state of Nebraska. While we were one of the earliest adopters of Enable accounts, this has been an issue that other states have started to address. So currently nationally there are about 30,000 accounts within the ABLE program. We need to get about 90,000 by, I believe it's 2021, in order to make sure that the program is viable long-term. Eight other states have addressed this issue by eliminating the clawback. Our hope is that this opens up the outlet for discussion to ensure that we can move something forward to protect these individuals and to ensure that this beneficial program is continued. Now I'd like to address the fiscal note. HHS has indicated that they believe this is contrary to the requirements under 26 U.S.C. 529A, Section (f). Their interpretation indicates that they have to clawback. However, the language actually indicates when the funds should be distributed, not that they have to be sought. It says "shall be distributed to such State upon filing of a claim for payment by such State." This language allows for this bill to be federally compliant. But now I'm arguing with what-- what federal law says with HHS, so instead I'm going to refer you to the CMS letter that's attached. I believe that since they have the authority, it helps to clarify the issue. It says: Thus consistent with Sections 1917(b) of the Act, states are required to seek recovery of funds in an ABLE account that have become part of an estate subject to recovery under the statute. If the estate of an Enable-- of an ABLE account beneficiary is not subjected to Medicaid estate recovery, states have the discretion whether to file section 529A claim against the ABLE account of a deceased." This bill seeks to ensure, in those discretionary cases, that we can assure individuals and families that the state will not seek those funds. If there is any further question as to if these funds will be sought, as the department indicated that they think the penalties or loss of federal funding could result, I would say that if they're going to do that, why haven't they gone after Pennsylvania, California, Kansas, Oregon, Delaware, Illinois, or Maryland. With all that said, I know that you'll be more prone to listen to the department. So I'm asking the committee to be flexible and open-minded about finding some language to eliminate this issue. If you do not feel comfortable with the language proposed, I would support Senator Murman's amendment. I would also suggest that you consider more closely mirroring the CMS federal guidance letter. And most importantly, I would urge you to consider these individuals and their families as you try to eliminate another stressor from their daily lives. Thank you. Any questions?

LINEHAN: Thank you. Are there any questions from the committee? Senator Crawford.

CRAWFORD: Thank you, Chairwoman. And thank you, Mr. McDonald. Just for speed--

EDISON McDONALD: Um-hum.

CRAWFORD: --can you tell us about where this language is in this guidance?

EDISON McDONALD: So the guidance letter, it's on the last page and that's the section that deals with Enable clawback.

CRAWFORD: OK. Thank you.

EDISON McDONALD: The rest of that, kind of leading up, just guides you through the other pieces of this. It also-- I also included in there a policy statement from NAST, the National Association of State Treasurers, that is supportive of this and of the other policies in other states that have done this. And I know most of the language in this mirrors other states that have not seen these funds or penalties that HHS claims may be coming.

CRAWFORD: Thank you.

LINEHAN: Thank you, Senator Crawford. Are there other questions from the committee? Seeing none, thanks very much.

EDISON McDONALD: Thanks.

DEBORAH GOODKIN: Hi, my name is Deborah Goodkin, D-e-b-o-r-a-h G-o-o-d-k-i-n, on behalf of First National Bank, program manager for Enable. I want to say that I was here many years ago to try to get Enable enacted, and being the second or the third ABLE account in the United States, have remained active on the NAST committee for ABLE. And it's the number one or two priority, when legislation can open up at the federal level, to make this change in ABLE, to not allow that clawback. It does say that it's up to the states' discretion. So 529A, which is how we got ABLE, is intended to increase the independence of individuals and-- with disabilities through a secure way to save for their related expenses. The ABLE Act permits individuals with disabilities to save more than the $2,000 amount that they can without impacting eligibility for resource-based benefits. So think about it. They can't have more than $2,000 in their name, and their families can't have a lot of money either. Nationwide 21 percent of individuals with disabilities live at or below poverty level which includes individuals over 55 years old. And I think if you look at active individuals with disabilities, I think you'd find that number is very high, but no one reports it. In fact, those who contribute to these accounts are really not the individuals with disabilities although some work and do have money that they put in and some get gift money from grandparents, etcetera. But in fact, the money comes from private sources, and the money is considered completed gifts to the individual. But the focus of the federal law was to protect those who can have funds to become more financially independent. But from our experience, and we have a lot of experience I must say, and the experience of ABLE plans throughout the U.S., this clawback is the number one reason, besides lack of money, for qualifying individuals to not open up a savings account in their name. We hear it over and over and over again. On the federal level, NAST, as I said, we continue to introduce bills to amend the law, but the bills haven't got through the last two Congresses, hasn't even been introduced. There have been other priorities. So the reality is that Section 529 actually created a disincentive to save and the inability of ABLE accounts to be meaningful. Rather than families having a sense of security in saving for a loved one, families risk having the money they contribute taken away instead of remaining in the estate of the deceased beneficiary. So rather than opening up an ABLE account, families are hiding the money once again under mattresses or spending down money on extra T-shirts every month so they don't have more than $2,000. What a shame. Grandparents are told not to leave their disabled grandchild any money or give them gifts for holidays and birthdays. Just think about that, treating one child different than the other. In September, the 2017 guidance stated that Treasury and IRS did not propose to mandate that states file claims. They went on further to say that it's up to the states to determine. This proposed bill without the amendment, I'm sorry I ran-- read this before-- I wrote this before, requests that the state not seek recovery of the private assets that have been put in to help that individual under any circumstances. To be able to keep whatever small amount of private money that is left in an ABLE account upon death makes commonsense and will preserve the purpose of the ABLE Act, to encourage ABLE accounts so an individual with disability can live more financially secure. I do want to tell you that my ABLE outreach coordinator did reach out today to Illinois, Pennsylvania, and California. This as it was originally written, it mirrors this bill. They had no problem getting it through. Their states have decided not to clawback to try to help people save for their future. Thank you.

LINEHAN: Thank you very much. Are there questions from the committee? I have one. Is there any maximum amount that they should be able to clawback? I mean, you're saying the bottom is $2,000, so are there-- are there any caps on these?

DEBORAH GOODKIN: So an individual can put-- an individual account can be up to $15,000 a year.

LINEHAN: OK, so there is--

DEBORAH GOODKIN: At $100,000 it impacts-- whatever's in there impacts SSI, but you can save up to $360,000. People don't have that kind of money.

LINEHAN: No. But just for the conversation, it's good to know. So can you run that-- so the max you can have in it is $360,000. I know people don't have this kind of money, but just so the committee knows, the maximum you could have is $360,000.

DEBORAH GOODKIN: $15,000 a year is the max you can contribute.

LINEHAN: Right.

DEBORAH GOODKIN: So it will take really a long time to get to $360,000.

LINEHAN: Right. I just wanted-- it's just good for us to have that information.

DEBORAH GOODKIN: I understand.

LINEHAN: OK. Any other questions?

McCOLLISTER: Yeah.

LINEHAN: Senator McCollister.

McCOLLISTER: Yeah. Thank you, Madam Chair. What's the average amount of money in an account?

DEBORAH GOODKIN: A couple thousand dollars, three or four. That's about it.

McCOLLISTER: So in those clawback efforts, they grab anything below that-- above that $2,000?

DEBORAH GOODKIN: Since the ABLE account is opened-- from when Enable is opened to when they die, they could claim it. So it doesn't go be-- before ABLE accounts were opened. So here you have a situation you want people financially capable, so you bring in a law called an ABLE law. You tell them you can only contribute up to $15,000. And then you say, and when you die, we're taking back the money. I mean, it's like contrary policy.

McCOLLISTER: But in the meantime, they've received thousands of dollars in Medicaid, correct?

DEBORAH GOODKIN: That's absolutely correct. I totally agree with you. But the money that goes into these accounts might not ever have been available to offset the costs. And when you're looking at an individual with long-term disabilities, even Medicaid doesn't cost-- doesn't cover all the costs. Maybe it's one eye doctor visit a year. Maybe it's one doctor visit every two years. And individuals with disabilities need much more than that.

McCOLLISTER: Thank you.

LINEHAN: Thank you, Senator McCollister. Other questions? Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. Sorry I didn't hear the earlier testimony, but a question. So if an ABLE account, when that-- the owner of that passes away, what happens to that account? What happens to that money?

DEBORAH GOODKIN: Well, after they-- presumably if they know that the individual is near the end of life, they could pay for burial expenses and for medical expenses prior to death.

FRIESEN: OK. Now--

DEBORAH GOODKIN: After that time, they can-- they can move the money to another member of the family, disabled individual. And I don't know you, but I don't know many families that have more than one individual with disabilities. Or it could be in their estate.

FRIESEN: True. So in the end, it'll end up in their estate and be part of their-- whatever they own.

DEBORAH GOODKIN: That's right. And what will happen is that the state can ask for the money that they-- that cost them between when they opened up an ABLE account and when they die.

FRIESEN: OK. Thank you.

LINEHAN: Thank you, Senator Friesen. Other questions from the committee? So kind of bigger picture problem here. I've got two child-- I'm making this up--

DEBORAH GOODKIN: Yes.

LINEHAN: --two children. One is disabled. One is not. I can't leave the disabled child, even the farm in a trust for the income to go to that child, because it will knock him off Medicaid. There's no way I can-- and if I give him the money, then they'll go through medical expenses. So this was a way to try and kind of help them just a little bit. That's the purpose of the ABLE account.

DEBORAH GOODKIN: Among other things, to become financially independent. So we have many individuals with disabilities that can be independent. And it gives them money. They can go to the movies and have their own money to pay for the movies or to take themselves and their friends out to dinner. So it's more than just covering medical expenses and health expenses. It's quality of life. And that's really what Enable's allowing, is a quality of life that they can't have when they are told all they have-- can have is $2,000 in their name.

LINEHAN: Thank you very much. Other questions?

McCOLLISTER: One more.

LINEHAN: Senator McCollister.

McCOLLISTER: Yeah. The fiscal note isn't changed by virtue of the amendment, is it?

DEBORAH GOODKIN: I don't know because I didn't do the fiscal note, but I do know that that fiscal note makes it much more restrictive than any other state who has implemented this, has successfully done. And it's more restrictive than what the national bill is as well. So it further restricts what can and cannot be clawed back. And you know, I would-- I would say the other-- first of all, we've not had any clawback. We've not-- none of the states that we talked to have ever had a Medicaid clawback for ABLE accounts so. And there are, you know, circumstances in which-- in which the state can give an exception or ask for the exception up front.

McCOLLISTER: Or disregard the [INAUDIBLE]

DEBORAH GOODKIN: Or disregard it. Um-hum.

McCOLLISTER: Thank you.

LINEHAN: Thank you, Senator McCollister. Other questions? Seeing none, thank you very much.

DENISE GEHRINGER: Good afternoon.

LINEHAN: Good afternoon.

DENISE GEHRINGER: My name is Denise Gehringer, D-e-n-i-s-e G-e-h-r-i-n-g-e-r, and I want to draw your attention to the photos at the top of my testimony that's being passed out. Those are photos of my son who has Down syndrome. To the far right is a picture of him after voting. He is very involved in government and following issues that impact his life. Going backwards from the way we read is a picture of him on a bike that he purchased with his Enable funds. That bike is part of his plan for independence. He wants to be able to get to work on his own without relying on me. So he learned to ride a bike last year and purchased an adapted bike so he could do that. In the middle is a picture of him with his service dog. That cost $3,500. To save $3,500 would clearly be over that $2,000 threshold you've heard folks mention. This dog provides him with some-- much more independence and allows him hopefully to live on his own in a safe fashion. Picture-- the other picture of him, it is-- is of him as a working man which is who he likes to refer to himself now. He is training to be an office worker. And then the picture on the far left side is a picture of him when we helped with the promotion of the Enable accounts here in Omaha, I'm sorry, Nebraska. So I'm going to-- I'm going to veer off. As I'm listening to everyone's testimony, there's been 3,000 things I'd like to share with you. And it's also been very enlightening to me to sit here and listen to all this 529 conversation, and say to you, people with disabilities go to college. People with disabilities want to put money aside for those types of-- to further secondary education. And so please don't consider them only needing these funds to buy medical equipment. They do this to become more independent, to be employable citizens, and pay taxes. So it's something to really consider. And to consider all the things that you're considering with 529s, of how that affects individuals with disabilities who have to jump through 6,000 hoops just to do the same thing that their typical peers can do. OK. I'm going to try not-- I'm going to stick-- try to stay on track. I'm the mother of a 23-year-old son who I just shared some pictures of. I also advocate for people with intellectual disabilities through my volunteer work with several nonprofits and disability organizations. I'm a professional that works in the disability field. I'm a National Down Syndrome Congress advocacy coalition member and a National Disability Institute ABLE, National Resource Center ABLE ambassador. Although I am not here to speak on behalf of any of those organizations I'm involved with, I wanted you to know that I am actively involved in conversations about ABLE and discussion about ABLE and have been for the last ten-plus years. This has been a long, long effort from-- from a lot of folks, a lot of grass roots, a lot of parents at coffee tables in their living rooms. In an effort to illustrate how the ABLE Act has an impact on the lives of people with disabilities, I would like to share with you my story as a parent, guardian, conservator, caregiver, and supporter of a person with diverse needs. From the day my son was born until the passage of the ABLE Act in 2014, we were told, do not put a penny in savings in his name. Do not save for him. It would-- it would, you know, clearly make him ineligible for those means-based supports that he will need as an adult. As a responsible, loving parent, we set out to do everything we could to assist him in reaching his full potential so that he too, like every American, could pursue his inalienable right to life, liberty, and the pursuit of happiness. I know that sounds a little dramatic, but it-- it really is the truth. He was fully included in both place and curriculum while in school where, in addition to academics, he learned basic computer skills, common social skills, time manager skills. And he was engaged and involved in his high school community, played percussion in the marching band as well elected as homecoming king by his peers. He's very social. I might call him the mayor of Papillion. So you have to let-- someone like Mayor Black know that Jake is actually the mayor. He graduate high school with potential to contribute to society. He worked for three years as a preschool paraprofessional, and is now exploring opportunities as an intern learning office assistant skills. He's capable of working, wants to be of value, have meaningful work to do, and be a tax-paying citizen. Although he has employable skills and a lot of ambition, he's not able to fully support himself, so he depends on Supplemental Security Income as well as Medicaid waivers to support him in living life as an adult citizen of Nebraska. Prior to the passage of the ABLE Act, adult life for people with intellectual disabilities was bleak, primarily because they're forced to live in poverty. The ABLE Act allows people with disabilities and their families to create tax-free savings accounts for their futures which you've all heard about. I want to jump, since I'm running out of time, to let you know that the clawback is extremely important because we want to do everything we can to keep these savings tools available for our-- for our family and friends with disabilities. And echoing what we heard in an earlier testimony, I work to educate families across the state. I was the parent-to-parent representative for our state of Nebraska up until a few months ago when I changed organizations that I worked for. And I talk with families day in and day out about ABLE because they know that I have a lot of involvement with ABLE and that I'm also involved at the national level. Both Jake and I travel to D.C. and advocated on the hill. And 100 percent, everyone's hesitation is the clawback. And we know in talking with one of the leading policy directors at the National Downs Syndrome Congress, who was involved with the drafting of the legislative-- federal legislation, that there is nothing in the bill that we originally proposed that she had concerns about. And she's an attorney as well. The other states that have eliminated the clawback haven't had any issues as well. So I'm not sure what the concern is that we're looking at or why we needed the amendment. I prefer to see that elimin-- the clawback eliminated completely, so we can have some fairness for our individuals with disabilities, so they, too, can plan for their future, for their emergency expenses, many of the other things that I've heard folks testify about today.

LINEHAN: Thank you very much. Do we have questions from the committee? Thank you.

DENISE GEHRINGER: Thank you. Oh, can I take a quick minute and thank Senator Murman for stepping up on behalf of the Nebraskans with disabilities and-- and-- and sponsoring this bill?

LINEHAN: You may. Thank you. Other proponents? Any opponents? Anyone wishing to testify in neutral? Senator Murman, would you like to close?

MURMAN: I want to thank the Revenue Committee for their time and consideration today for LB705 and AM162. Ultimately I think today's hearing was a good conversation, and I thank all those who came and testified. This is the first revision of Senator Bolz's bill in 2015 that made ABLE accounts possible for Nebraskans. In the future, I think if things do change federally, someone can address that. I think it is important that our legislation matches the language federally. I do believe ABLE accounts are a great asset for those individuals and families that are qualified for them. So I do think it's important that we make it clear and transparent to families exactly what you can do with-- with the accounts. I do know at least a couple other families that have more than one disabled child. I thought about asking one of them to come and testify, but the parents are not in the best of health. They're kind of elderly. And the two boys aren't-- considering the weather, I'm glad I didn't even ask them. But I do think it was a good conversation for the future.

LINEHAN: Thank you, Senator Murman. Are there questions? I should have probably asked the last testifier this, but I'm going to ask you and then maybe you can find out from her. She mentioned being on the hill, so I'm assuming they're trying to work at the federal level to make this clearer too.

MURMAN: I don't know anything about that.

LINEHAN: I think that would be helpful if you could ask if there's-- if they're working on language at the federal level to clarify.

MURMAN: It would be helpful if it was more clear on the federal level.

LINEHAN: That would be helpful if they're not. It would be helpful if they were.

MURMAN: Yeah.

LINEHAN: So thank you very much.

MURMAN: I just wanted to make sure that, you know, we didn't risk our Medicaid-- state Medicaid funds so.

LINEHAN: Well, it's a good conversation. Thank you. Other questions? Thank you very much for bringing this to our attention.

MURMAN: Thanks a lot.

LINEHAN: Um-hum. Letters for the record: we have proponent, Shauna Dahlgreen, Easternseals Nebraska, excuse me, Eastern, Easterseals Nebraska; and, opponent, none; neutral, Matthew Van Patton, Nebraska Department of Health and Human Services Medicaid and Long-Term Health. So with that, we close hearing on LB705, and we'll open the hearing on LB470. Senator La Grone.

La GRONE: Thank you, Chairman-- woman Linehan and members of the Revenue Committee. My name is Andrew La Grone, A-n-d-r-e-w L-a-space-capital G-r-o-n-e. I represent District 49 which is Gretna and northwest Sarpy County. LB470 is a bill that modifies provisions of the 529 college savings program. The promise of America is that everyone, regardless of who they are or where they grow up, has the opportunity to succeed. The important role the educational opportunity plays in that dream cannot be overstated. In order to promote educational opportunity among Nebraskans, LB470 improves the 529 college savings program in two ways. First, the bill removes the requirement that contribute-- that contributors be registered participants of an account in order to receive the tax incentives for contributing to the account. This change will eliminate the current practice of taxing grandparents and other family members like aunts and uncles for no date-- for donating to a child's college savings account. Second, the bill limits-- eliminates the cap on incentivized contributions. With the high and rising cost of tuition and the student loan crisis, lifting the tax burden on college savings accounts is an investment in the future of our students, an investment in the future of our state, and an investment in the American dream. The bill demonstrates the Legislature's strong commitment to make higher education attainable for all Nebraska students. Just a quick note on the fiscal note, on the $57 million fiscal note, I think that continues the trend with fiscal notes for today. Although I would say that that would roughly indicate a new investment of roughly a billion dollars in college savings and if that is the case, then I will proudly own that. So with that, I will take any questions you may have.

LINEHAN: Thank you very much, Senator. Are there questions from the committee? Senator Friesen.

FRIESEN: Thank you, Senator Linehan. So if I opened up a college savings plan for one of my grandkids--

La GRONE: Um-hum.

FRIESEN: --and so now down the road, could my employer contribute to that plan too?

La GRONE: Yes, so it opens up to all nonparticipants. So anyone who's not a participant in the account would be able to contribute to the account and get the deduction.

FRIESEN: And you're taking all caps off on the amount also? There's no limit?

La GRONE: Correct, it gets rid of the $10,000 cap.

FRIESEN: So what happens all the sudden five years from now, he's--

La GRONE: Um-hum.

FRIESEN: --my grandson's killed in a car accident? What happens to the money in that account? Does it still belong to me, to the owner of the 529 account?

La GRONE: So that's a more technical question. I know the other parts of 529 law deal with that. The State Treasurer's testifying behind me. He might be able to answer more of those technical questions, and I believe they're also on the, who qualifies as a nonparticipant contributor. Let me try to find that definition for you. It's defined in the bill as to exactly who that refers to.

FRIESEN: OK. Thank you.

LINEHAN: Thank you, Senator Friesen. Other questions from the committee? You will stay to close?

La GRONE: Yep.

LINEHAN: OK. Thank you.

JOHN MURANTE: Good afternoon, Chairwoman Linehan, members of the Revenue Committee. For the record, my name is John Murante, J-o-h-n M-u-r-a-n-t-e, and I am your Nebraska State Treasurer. I believe with this bill I have testified in a Revenue Committee more as State Treasurer than I did in six years as a state senator. So we're breaking records today. I want to thank Senator La Grone, my state senator, for introducing this bill. This-- this bill has two components, and I'll deal with the first part first and what-- what we're trying to get at. With respect to the nonparticipants, right now under 529 law, anyone can open a 529 account for anyone else and claim the income tax deduction. You don't have to be a parent to a child. It doesn't have to be a grandparent to a parent. But a complaint that we frequently get, is a-- the most common circumstance as you might imagine, as ar-- articulated, is a parent opens it up for a kid or a grandparent opens it up for the grandkid. And then family members want to contribute. And family members want to take the income tax deduction. But the only way for the aunt or the uncle or the neighbor or the friend to claim the income tax deduction is for them to open up an account themselves and have that same kid as a-- as a beneficiary. So for that one kid, you're having multiple accounts needing to be opened, whereas many family members just say, the kid's mom and dad opened up an account. We want to contribute to that account, and we want to make that tax deductible. We want to be able to do that without having to go through the steps of opening up an additional account. That's what we're trying to get at, is trying to make this as user-friendly as possible. The second is back to the previous, taking the cap off entirely. It goes back to that checklist I was talking about. Is what-- how attractive are states? What are states doing? How committed are states to growing 529s? If-- if taking the cap off entirely is-- is too much, raising the taxes-- the cap is certainly something that-- that I think would be beneficial and would at least move the ball forward. With that said, with this fiscal note, it was kind of laughed about, but this one kind of made me angry because I don't know how any intellectually honest person could say that passing this bill would result in $1 billion more investment in the Nebraska Educational Savings Trust when the entire thing has been open for 20 years and there's only $1 billion from Nebraskans that have it-- that has been invested in it. So the idea that annually you're going to have $1 billion more is farcical to the point of being laughable. I don't know if they had a dartboard and were just-- they hit numbers and put numbers on there and that's how they came up with the fiscal note. But there is no basis for-- for that fiscal note to be written that way. As Senator La Grone said, if it were that easy to get $1 billion into the Nebraska Educational Savings Trust, I would ask you to prioritize this bill and send it to the floor because $50, $60 million would be worth it. But it's just not within the realm of the real. That's just not-- it's-- it's not plausible for us to have that kind of investment that quickly. So I think this is really another bill that makes the college savings program a bit more user-friendly. It makes investment in-- in kids just a-- just a little bit more run like a business and as customer-focused as we can possibly make it. That's one of our commitments. So I think it's a good bill, a step in the right direction. And I'd be happy to answer any questions.

LINEHAN: Thank you, Senator-- see, I did it, thank you, Treasurer Murante. Other questions from the committee? Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. So I'll go with my question again. Let's say that my kids open up a 529 for their kids--

JOHN MURANTE: Um-hum.

FRIESEN: --and I want to contribute to it. So I pour money into it, and ten years down the road, something happens to that child.

JOHN MURANTE: Um-hum.

FRIESEN: The owner, which is my kids, they own that account.

JOHN MURANTE: OK.

FRIESEN: So.

JOHN MURANTE: So your kid-- so are we-- the kid is-- the account is for the grandkid or the account is for the kid?

FRIESEN: Well, the account-- I would be contributing to my kid's account that they've opened up for my grandchild.

JOHN MURANTE: For your-- OK. I got it. Understood.

FRIESEN: So now that money is in that account. That kid chooses not to go to a college.

JOHN MURANTE: Um-hum.

FRIESEN: And they-- then the parent can take that money out and there's a penalty and stuff.

JOHN MURANTE: Um-hum.

FRIESEN: But what happens if he gets killed in a car accident or something? Or is it part of an estate? What happens to that money that's in there if you suddenly have $100,000 in there? What-- what happens to that money?

JOHN MURANTE: So it can be rolled over without penalty to any sibling and it can be rolled over penalty-free to any child. The most common question that we get is what happens-- so we start investing for the kid. What happens if the kid doesn't go to college? Reasonable question. The advice I would give, I'm not in the business of giving financial advice, but if it were my situation, what I would do is tell my kid, the odds of you having a child someday are pretty high. Let those dollars keep growing over the years. When you have a kid, you can turn it over to your kid when they have a child. And they have a nest egg that has been growing for 30 years and will pay for a substantial portion of their college hopefully. So that's the advice I would give.

FRIESEN: But what happens if there's only one child, and something happens. There's no one to roll it over to.

JOHN MURANTE: So I think, barring any allowable transfer, we'd go back to that, you could take it out there. It's not an allowable expenditure. You could take it out and you would be penalized. I'm not aware of any alternative to that, but I'm sure our program manager will answer that in greater detail than I am. But I'm not aware of any alternatives to--

FRIESEN: You pay taxes and penalties?

JOHN MURANTE: Um-hum. Right. So the year-- what it was-- growing tax-free. You'd have to pay taxes on that. And I don't know if there's like a-- there's an actual fine in the sense that like rating a IRA would have, but you'd have to pay taxes on what was tax-free.

FRIESEN: OK. Thank you.

LINEHAN: Thank you, Senator Friesen. Other questions? Senator Briese.

BRIESE: Thank you, Chairwoman Linehan. Thank you, Senator Murante, for being here. A couple of questions. The $5,000 and $10,000 cap, that's overall lifetime cap or annual cap.

JOHN MURANTE: Annual.

BRIESE: Annual cap. OK. And then how about other states. What-- what's typical of other states as far as a cap?

JOHN MURANTE: $10,000 is-- is pretty average. Some states choose to have it nonexistent at all. But I don't-- the number on no states at all, I believe is-- is near ten, but I'd have to double-check.

BRIESE: OK. So ten states have no cap?

JOHN MURANTE: Have no cap at all. I believe I saw that number, but I was looking at that just earlier this morning.

BRIESE: OK. And the $1 billion that we referenced earlier, how did we arrive at that?

JOHN MURANTE: So that's the assumption that there is going to be $57 million in income tax deduction. And if you look at there is a 6 percent income tax rate and trying to figure out where this $57 million is coming from-- and to be clear not everyone who invests invests-- pays Nebraska income tax, and not everyone who pays Nebraska income tax claims this as their deduction. So we-- we're at disconnect there.

BRIESE: You're talking over a two-year budget cycle then?

JOHN MURANTE: I believe, if I read the fiscal note, they're talking about $57 million annually. But I didn't-- I don't have that here.

BRIESE: I'm seeing 25 and 27.

JOHN MURANTE: OK. My apologies then.

BRIESE: OK. OK. So maybe half that. But anyway. OK.

JOHN MURANTE: But still, it isn't a mat-- what we're-- what we're talking about here is not going to infuse that much money into the program. That's not-- fundamental-- it will infuse some and that's-- that's very good. More than anything, what Senator La Grone's bill does is makes the system more user-friendly. And we don't have to have the phone calls from grandma saying, why do I have to set up my own account when I just want to give to my daughter's, like the Senator Friesen's example, I just want to give to my daughter's 529 account she opened for her son. That's what we're trying to do.

BRIESE: I would think the removal of a cap would create quite an incentive for a certain subset of taxpayers out there.

JOHN MURANTE: Potentially, but the problem there is-- that problem has been researched, and I have read on that. But the problem you get into is 529s, while it's pretty open, does have some strings attached. So there comes a point where in-- investing in a single-- it's-- there's not a great return on investment because you're not going to want to spend $30,000 a year for 18 years to pay for a kid's college education because there's no way you're going to be able to withdraw all of that money after growth because the college isn't that expensive. It's very expensive, but it's not that expensive. So there comes a point where people stop contributing because there's not a benefit to do that, and there's other financial vehicles after a certain period of time that's open-ended and they don't have those 529 strings attached.

BRIESE: OK. Very good. Thank you, Treasurer Murante.

LINEHAN: Thank you, Senator Briese. Senator McCollister.

McCOLLISTER: Yeah. Thank you, Madam Chair. You are the State Treasurer and not the revenue commissioner. Any idea how much these programs have cost the state treasury in the past few years?

JOHN MURANTE: So I have the total amount that-- that is invested. So I can-- I can speak to that. And while it is certainly true I am not the Tax Commissioner and I don't particularly want to be, I do have a firm understanding of what people are contributing. And that's really, when you're writing this fiscal note, is the governing principle. I don't know where it-- what other information you would need other than, OK, who's contributing more than $10,000 today because that's what's going to write the principle. To be clear, no one asked us that question. We had it readily available, but no one asked us that question. So in our analysis, it would be approximately $4 million if this cap which was taken off entirely on an annual basis of-- based on what we're seeing right now, it would be about a $4 million of a fiscal note. That's-- if we had to write the fiscal note ourselves, there are only 1,200 account owners that contribute more than what is currently allowable-- excuse me, excuse me, 2,500 that currently allow what-- what-- over above what's allowable today. So we just don't-- that-- that-- the number to get to that fiscal note doesn't make any sense to us.

McCOLLISTER: So graduating or increasing that cap some amount might make some sense given--

JOHN MURANTE: I think so.

McCOLLISTER: --the basic fiscal note that we see--

JOHN MURANTE: Um-hum.

McCOLLISTER: -- department--

JOHN MURANTE: I think it's a step in the right direction. Whether there's no fiscal note, you know, this goes back to that score card question. If-- if-- if this is the-- the govern-- do I think a lot of people are going to take advantage of it? Probably not. But if success or fail-- failure of this bill, from my perspective-- you're the policymakers you can advance the bill however you like. But if that's the determining factor, then putting a cap rather-- raising the cap rather than eliminating-- eliminating it entirely seems like a pretty prudent decision.

McCOLLISTER: Is there a carrying charge to owners of policies from the State Treasurer?

JOHN MURANTE: There's not a-- not like an annual fee, so every dollar that's invested has-- the State Treasurer's office charges two basis points for-- that goes to the Appropriations Committee, that they then appropriate for us to both administer for our office and then pay the Nebraska Investment Council for their services. But that's how we get paid essentially.

McCOLLISTER: Very modest. Thank you very much.

LINEHAN: Thank you, Senator McCollister. According to my legal counsel, our legal counsel I should say, the whole program last year was-- reduced revenues by $5 million dollars.

JOHN MURANTE: $5 million?

LINEHAN: 4.9, to be exact. The whole-- all-- the whole program.

JOHN MURANTE: The whole thing?

LINEHAN: The whole thing-- so-- which-- yes. Other questions? If I was a singer, I'd sing, but I'm not. So Senator Chambers, I don't know, nor Senator Halloran. But Happy Birthday.

JOHN MURANTE: And I will say if the legislative history is clear, that every bill that I have testified in favor of--

LINEHAN: On your birthday?

JOHN MURANTE: --on my birthday has gone on to pass. So even if you don't pass these bills on their merit, for the sake of the institution of the Legislature and probably George Norris, please pass these bills.

LINEHAN: We'll take that under consideration. [LAUGHTER] Proponents?

DEBORAH GOODKIN: So again, I'm Deborah Goodkin, D-e-b-o-r-a-h G-o-o-d-k-i-n, on behalf of First National Bank of Omaha, program manager for NEST and Enable savings plans. And I'm here in favor of this bill. Well, encouraging families to save for loved ones you've heard many, many times today is an extremely important public goal to ensure that the state of Nebraska has a well-educated community and work force. Over the past nine years, assets have grown over 135 percent and accounts have grown 64 percent. We asked our customers, what do you think about the plan? And we asked them, what do you think about the product? What do you think about whatever you think about? In our new account owner survey, which is sent out to people within a couple of weeks of signing up, 94 percent indicated that tax-advantaged savings is a very or extremely important decision to open up an account. And there have been many, many, many other studies, that I couldn't get a hold of so quickly, that basically said, it's about the deduction. It's about tax-free savings. As we know, with college costs rising and graduates having over $1.5 trillion in student loan debt, with these changes, Nebraskans will have a greater impetus to open up accounts and to actively contribute rather than taking out loans which I think is a very huge public benefit. Do I think that it's going to be a tremendous amount of people that are going to now start contributing hundreds of thousands of dollars? We need to remember that there is a $360,000 limit-- lifetime limit for a child's contribution. And there are very few individuals that are contributing over $15,000 right now in which they get the tax deduction for $10,000, and then they have a little bit more that they put in. I do want to say about $680,000 was collected each year in what we call a gifting contribution. So these are individuals who don't own an account, but they decide to give gifts into other people's accounts. And these are gifting programs. These aren't, you know, these are not birthday gifts because I can't track that of course. But these are actual, formal, gifting programs where you can sign up on-line and spend certain money and get rewards, and the rewards, the value of the rewards, go into the program. But we have a plan, a program called Ugift in which anyone can go in at any time if they know the child's account number, and anyone can put in any money electronically. So when you think about it, it's $680,000 that we know of that people give. It's not really a lot when you're comparing to that fiscal note. I do want to say that while we represent NEST and Enable, the big-- the biggest benefit is going to be in NEST because obviously Enable has a $15,000 annual contribution limit. So I really don't think people are going to-- this really is going to negatively impact Enable, but it will be a benefit for NEST. Thank you very much.

LINEHAN: Thank you very much. Are there questions from the committee? Do we have?

GROENE: I have.

LINEHAN: OK. Senator Groene.

GROENE: I've listened to four bills yesterday in Education on this. I'm assuming there was four today. Which one of them do you want me to pass? I can't do them all. I mean, should we draw one out of the hat?

DEBORAH GOODKIN: I prefer not to answer. The Treasurer is the trustee of the trust.

GROENE: He wants all of them.

DEBORAH GOODKIN: I am the hired hand here.

GROENE: You understand what I'm saying here?

DEBORAH GOODKIN: You know, I do-- I do want to say that the employer initiative has-- could be a huge benefit. As you know, I really love the idea of Meadowlark, a Meadowlark scholarship and the other one we did yesterday which is matching grant. They're all sort of tied into this one big idea of what can we do as a state to really improve people saving for college. And so they all have their own benefit adding into the biggest package. We really haven't had a package like this since we raised the-- since you raised the tax deduction from $5,000 to $10,000. This is an accumulation of things that have happened in the industry throughout the United States. And it's the best of the best, and that's what the Treasurer is providing.

GROENE: Could you look at Meadowlark and just fund it full-- full-- with donations--

DEBORAH GOODKIN: I think.

GROENE: --and then do the college one if you're going to do anything that's going to harm the budget? I mean, do the employer one?

DEBORAH GOODKIN: I would prefer not to pick favorites like I don't with my children. I'm sorry.

LINEHAN: Thank you. Thank you, Senator Groene. Any other questions? I was thinking there was a technical question we were going to ask you when somebody was up here, but I don't know if we-- do you remember what it was?

DEBORAH GOODKIN: I do want to say that if-- to your question, if a beneficiary on the account dies, there is no federal penalty. It's just like if you put money in account that earns interest, you need to pay tax on the interest. And because it was deferred all along from federal and state interest, you'd have to pay the interest. But you don't have to pay a penalty if someone died.

FRIESEN: Do you have to pay those taxes due then. You're--

DEBORAH GOODKIN: It's just on the interest because the money you put in is after tax.

FRIESEN: That was after tax?

DEBORAH GOODKIN: Yeah. Yeah.

FRIESEN: OK. OK.

McCOLLISTER: I have a question.

LINEHAN: I'm sorry. Senator McCollister. Thank you, Senator Friesen. Senator McCollister.

McCOLLISTER: Yeah. Thank you, Madam Chair. So the investments are strictly fixed-income or interest-bearing accounts or can the accounts utilize stocks and bonds? In which case do you pay?

DEBORAH GOODKIN: Great question. It's a great question. The Nebraska Investment Council decides and votes on what investments should be in the plans, and First National Bank recommends to the Treasurer and the NIC. The goal is to make sure that people will be able to have money over an 18-year period of time so they can go to college. So there is allocations that balance equity and fixed income. We don't have any stocks per se, but there are EFTs and index-based funds and mutual funds. There is also a bank savings which is a guaranteed, FDIC-insured fund. And they're money market funds. So there are allocations. You can either invest through an allocation in which we move the money and the account elects, theoretically, as the child gets older for more equity. It elects equity from more risk to less risk. Or you can pick individual options as well. But they're all mutual funds, bank savings, and money market.

McCOLLISTER: Well, the Nebraska Income-- Income-- not Income but the Investment Council invests the money, I'm absolutely sure they invest in equities as well as fixed income. In which case, you'd also pay tax on the-- on the dividends as well as any appreciation of the stocks.

DEBORAH GOODKIN: So the Nebraska Investment Council doesn't do the investment. The NEST plan itself, we do the investment. The contribution that come in that gets invested into whatever-- whatever the customer or the account owner picks. Custom-- you're actually investing in a trust, the Nebraska Educational Savings Plan Trust, and you have units in that trust, OK? And if the underlying funds have dividends, it's included in the price. So it's calculated within the price. You don't actually get a dividend. It's part of the value that you have.

McCOLLISTER: So if I understand, what you're saying is, the investment council doesn't invest the proceeds. First-- First National Bank or some-- some other operation invests the proceeds?

DEBORAH GOODKIN: We are-- we are given a roadmap of where we-- it's hard to explain, but each account can select where they want-- do they want an age-based option where the money changes allocations as the child gets older? Do they want to invest just in an aggressive option? It's all predetermined by approved investments by the Nebraska Investment Council. We have a recordkeeper on behalf of NEST that actually takes the money in, sees what the allocations to underlying funds were approved by the NIC, and allocates that cash into those underlying funds based on the formula that's preapproved by the Nebraska Investment Council.

McCOLLISTER: So in essence, it's like for a 401(k).

DEBORAH GOODKIN: It is exactly like a 401(k).

McCOLLISTER: OK. Thank you.

DEBORAH GOODKIN: Yes. That's a very good analogy.

LINEHAN: Thank you, Senator McCollister. Senator Kolterman.

KOLTERMAN: Thank you very much. Sorry I didn't get to hear the whole testimony up front, but I have a couple questions, clarifications. You indicated that if someone-- if someone were to die, the beneficiary or the person who owns the account dies, it goes to the beneficiary. Is that correct?

DEBORAH GOODKIN: So the account owner opens up an account for the benefit of someone who is going to go to college. It could be an adult or a child.

KOLTERMAN: Correct.

DEBORAH GOODKIN: When-- fed-- Nebraska law basically says that if the account owner does not name a successor account owner, the funds automatically become the beneficiary's fund and they become the account owner.

KOLTERMAN: OK. I understand that. At payoff time, if the beneficiary uses it for educational purposes, they don't pay any tax on that. And there's a-- there's a litany of things that they can use it for. Is that not correct?

DEBORAH GOODKIN: Yes, the interest is not taxable.

KOLTERMAN: But in the event that it never gets used and it goes to a beneficiary, then isn't it all treated as ordinary income?

DEBORAH GOODKIN: Yes, but I want to say that it could stay in that account. There's no time limit to staying in that account. And the-- the beneficiary-- once it's withdrawn for nonqualified reasons, it's taxable. Yeah.

KOLTERMAN: Correct. It is taxable--

DEBORAH GOODKIN: Yes. And there's a penalty.

KOLTERMAN: --and there's a penalty.

DEBORAH GOODKIN: Uh-huh.

KOLTERMAN: But at the same time, let's say that my daughter inherits it as a beneficiary. She could actually keep that account and use it for her own children--

DEBORAH GOODKIN: Absolutely.

KOLTERMAN: --in the future, is that not correct?

DEBORAH GOODKIN: Absolutely. She could use it for herself if she decides to become a master chef.

KOLTERMAN: But there is potential income tax liabilities in the event that it's not used for educational purposes.

DEBORAH GOODKIN: Yes.

KOLTERMAN: I think that's a very clear distinction that needs to be made. As far as in Nebraska Investment Council, we just passed some legis-- or we advanced some legislation for retirement, allowing them to utilize newer, updated, investment choices when it comes to age-based and lifestyle type of funds. And I would assume that that's the kind of investment you choose from. But you still hold the monies and you invest them based on what their recommendations are. Is that correct?

DEBORAH GOODKIN: When the monies come in, we do invest it. And then we send the monies to the underlying portfolio. So if it's the Vanguard REIT fund, the Vanguard REIT fund gets the money.

KOLTERMAN: But you're using the Nebraska Investment Council suggestions.

DEBORAH GOODKIN: Well, they have to approve all of the investments.

KOLTERMAN: All right. And that-- that part is trusted. Does First National Bank hold the money?

DEBORAH GOODKIN: First National Bank does not hold the money.

KOLTERMAN: So it just goes to invest--

DEBORAH GOODKIN: The trust holds the money. I do--

KOLTERMAN: OK. Do you administer the trust?

DEBORAH GOODKIN: No. The Treasurer's trustee administers the trust.

KOLTERMAN: OK. Thank you.

DEBORAH GOODKIN: I do-- I do want to mention that.

McCOLLISTER: Where does he put the money?

DEBORAH GOODKIN: Go ahead. It's OK.

KOLTERMAN: No, I'm just-- I was just trying to figure out all these scenarios.

LINEHAN: Thank you, Senator Kolterman. Senator Groene.

GROENE: Thank you. So I live in Wallace, Nebraska, a little town. Guy works for the city and he wants to-- thinking about his kids' college expenses. How does he even know who's selling it to him? Who's bringing that product to him and selling it to him?

DEBORAH GOODKIN: Are you saying the two of you do that? I have a team of staff that go out throughout Nebraska. We sell it, and so does Treasurer's office staff go out. So we-- we-- we advise-- no, we don't advise people, but we offer it in all banks, so all of our bank branches. We go to fairs. We go to employers. We go to chamber of commerce meetings.

GROENE: If I want to start a 401(k) or a savings account for my 5-year-old granddaughter-- 8 now granddaughter, I just walk in the bank and start a savings account for her. It's kind of hard to get access to this. I mean, the one I have for my grandkids is through State Farm Insurance. I mean, yeah, but--

DEBORAH GOODKIN: That's fine. We manage State Farm as well. It's a Nebraska plan State Farm.

GROENE: All right. So I'm sitting there, and I happen to have a computer at home. And I'm going to-- I work for the city in Wallace, and I run a maintainer. And I'm going-- I want to start-- how do you? What do they do?

DEBORAH GOODKIN: So if you type in NEST--

GROENE: Well, they don't know that.

DEBORAH GOODKIN: --and Google. And you type in 529 plans of Nebraska.

GROENE: They don't know 529. They want to start a college fund.

DEBORAH GOODKIN: If you know-- type in saving for college.

GROENE: Oh, you can.

DEBORAH GOODKIN: We will come up.

GROENE: All right. You will.

DEBORAH GOODKIN: Yeah.

GROENE: All right.

KOLTERMAN: So will we.

GROENE: Oh, you guys take a little bit off the top here?

LINEHAN: Senator Groene, thank you.

DEBORAH GOODKIN: We have Facebook. We have LinkedIn. We do it all.

LINEHAN: Other-- other questions? Yes. Senator Lindstrom.

LINDSTROM: Question/comment-ish. Thank you. It doesn't pay all that well--

GROENE: I know.

LINDSTROM: --to be honest with you. But I will say, if you're looking for one to support, LB610 the employer would probably have the conversation with their employee--

DEBORAH GOODKIN: Yes. Thank you.

LINDSTROM: --about partic-- having their children participate in a 529. But it's easily accessible. It is-- it is very easy to sign up-- sign up. Anybody can do it. Thank you.

LINEHAN: Thank you, Senator Lindstrom. Senator Kolterman.

KOLTERMAN: Is it true that you use inde-- independent investment advisers inside your portfolio as well to sell your products?

DEBORAH GOODKIN: We do. We have over 253--

KOLTERMAN: Well, I was going to say is--

DEBORAH GOODKIN: --financial advisers who sell the NEST adviser plan, yes, and the State Farm plan by the way [INAUDIBLE].

KOLTERMAN: --and what I was going to say is, to Senator Groene, I'm retired but Senator Lindstrom's still looking for income.

DEBORAH GOODKIN: You can still have income even if you're retired.

LINEHAN: Thank you. Thank you, Senator Kolterman. Any other questions? I'm going to make a comment. Isn't part of the reason we're looking at all of this is to make people aware? Isn't that really the whole issue? Meadowlark-- everybody that has a baby, even in Wallace, will be informed that their child now has a savings account to go to college.

DEBORAH GOODKIN: Absolutely.

LINEHAN: If they live in Nebraska, they will be informed.

DEBORAH GOODKIN: Every single channel we can figure out, including the employer. Thank you for bringing that up. That's the best way to do it. I agree. That's the whole point is moving people in a direction of saving for college so there isn't these crazy loans your kids have to pay. There isn't the conversation once your kid decides to go to college. Well, I can't afford to send you there, so you're on your own. Or I can't afford to send you there, so you need to be so-and-so. And that's what we're trying to avoid. It's people's savings so it's an aspirational nature so that they know that they should be going to college. And it helps them academically to prepare to go to college as well as having enough money to be able to make a decision that's right for that child once that child is ready to go to college.

LINEHAN: Thank you--

DEBORAH GOODKIN: Thank you.

LINEHAN: --very much.

GROENE: For clarification, Wallace is in my district. I wasn't picking on some town.

DEBORAH GOODKIN: I always pick on Hooper, so.

LINEHAN: OK. Thank you--

DEBORAH GOODKIN: Thank you.

LINEHAN: --very much. Other proponents? Are there any opponents?

RENEE FRY: Good afternoon, Chairwoman Linehan, members of the committee. My name is Renee Fry, R-e-n-e-e F-r-y. I'm the executive director of OpenSky Policy Institute. We're here in opposition to LB470 but primarily because of the elimination of the cap. And we have three primary concerns. First, LB470 would further erode our revenue tax base at a time when Nebraskans are clamoring for property tax reductions, and our cash reserve is well below recommended levels with a likely recession around the corner. According to the Urban Institute, both economic and revenue growth in the current expansion have been weaker compared to previous expansions, and states-- states face large fiscal challenges, particularly because of the uncertainties related to the long-term impact of federal tax policy changes on the state budget economies and budgets. Second, LB470 goes beyond the norm of standard state deduction amounts for contributions to 529 plans as Senator Briese was asking about. Currently 31 states and Washington, D.C., offer tax deductions for contributions to college savings plans, yet only ten allow for more generous deductions than we have here in Nebraska. And of those ten, only four lack any deduction cap. Finally, if the goal of LB470 is to help families invest in the American dream, our concern is that it will only help those who are already best-positioned to achieve it. Based on 2016 IRS data for Nebraska, the existing college savings plan deduction was claimed on only 1.95 percent of Nebraska resident returns in 2016. Of those, 72 percent of filers who received a deduction for contributions to NEST had incomes over $100,000, and accounted for 83 percent of the total amount of money that was deducted for NEST contributions in Nebraska. Given that you must have pretty significant income to be able to afford to set aside more than $10,000 per child in any given year to be eligible for the higher deduction amounts in LB470, because NEST is already being more heavily utilized by higher income earners, and because the Department of Revenue is assuming in their fiscal note that a large percent of the projected fiscal impact will be due to contributions that exceed current deduction limits, we believe that LB470 will predominantly benefit those with means, not those who need the extra boost to attend college. At the end of the day, if LB470 helps high income families at the expense of funding for pre-K, K-12, or higher education, we will have cut off our nose to spite our face. I would just raise, Senator Briese raised a concern that I would have as well. If you eliminate that cap, you may just have the impact of having those who are attending very expensive colleges, at the time they go off to college, they just use the NEST account as a pass-through to take advantage of the income tax deduction. So I would flag that. And with that, I'd be happy to answer questions.

LINEHAN: Questions from the committee? Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. When I first was looking at this, those were the first things that jumped out to me too. I knew exactly where you were going to go with testimony. Has anybody looked at down the road, as people have more money in accounts to pay for college, we're driving up the cost of college. I'll use an example as any kind of subsidies that we've ever had in the farm program. We've tried to do an irrigation incentives, things like that. And so you put $5,000 toward these improvements and suddenly the cost of those improvements has gone up by $5,000. Sometimes it drives cost. And I-- sometimes I'm concerned that the more we seem to be doing to make college more affordable, we're making it not affordable. And it's like you said, the ones that can afford to put $10,000 to $15,000 a year away for their child's education, they don't need a 529 account. And yet we are subsidizing that, and in return, we're driving up the cost of education. We're doing nothing to hold it down. We're just encouraging it to cost more because they can afford more. Has anybody looked at those-- in that relationship, is that sometimes you're pushing the cost?

RENEE FRY: It's a great question. It is not a question that we have looked into. We can certainly take some time and see if there's been any research done about a correlation between 529 plans and the cost of college. I haven't seen anything but haven't looked for it either. It's a good question.

FRIESEN: With the caps in place, I don't expect that to happen so soon because of the caps. But if you take the caps off, you suddenly opened up-- some are going to be able to have a free education, so to speak from their parents. And others, that don't have the money to put in there, are going to struggle to keep up.

RENEE FRY: Right.

FRIESEN: Thank you.

LINEHAN: Thank you, Senator Friesen. Senator McCollister.

McCOLLISTER: Yeah. Thank you, Madam Chair. I don't like to make an attempt to answer Senator Friesen's question. The only inflation index that's higher than the medical index is the higher education index. And it's gone up. And I contend that the big reason for that is the federal government established a loan program for students. And we see evidence of that in the news reports talking about all the bad debts occurring. These poor kids are graduating from college with-- with $100,000 in debt. Can't buy houses or anything else. So I think we can leave that whole issue at the foot of the federal government.

LINEHAN: Thank you, Senator McCollister. Other questions? I have--

McCOLLISTER: That's a conversation killer, isn't it?

LINEHAN: --Anybody else, though? Part of-- you say in your testimony here, a large-- the Department of Revenue is assuming in their fiscal note that a large percentage of the $25 million projected fiscal impact will be due to contributions that exceed current deduction limits. I'm not--am I missing it? I don't see him saying that.

RENEE FRY: It's written in the fiscal note. I do not have the fiscal note in front of me. But I did read that in the fiscal note.

CRAWFORD: It's down in the body here, instead of at the top.

LINEHAN: Right. OK. Contributions for amounts--

CRAWFORD: So that they were--

LINEHAN: --I see, large percent of the Department's.

CRAWFORD: Yes.

LINEHAN: OK. I understand concerns about the $10,000 cap. Would you have the same concern if it was maybe a one time? Because as Senator Friesen-- frequently business owners especially-- in my life, I've had high income years and low income years. So would it be problematic, as problematic, if there is a one-time exception? Let's say that you inherited a bunch of money or you sold some properties and you have extra money. Would you be as concerned if it wasn't we took off the cap totally, but we had a lifetime exception or a once-every-ten-year exception? Because there are-- if we're having-- income, especially I think with Nebraska's families, many families, is not just up above-- they have leaps up and down, especially ag community and other business owners. So would that concern you as much?

RENEE FRY: I would still be concerned unless you had some sort of requirement that it couldn't be used within a certain period of time. I would still be concerned that it would be used, instead of for the purpose of NEST which is to encourage long-term saving for college, you would-- you would be incentivizing someone to use it when that child is going to college as a pass-through, not as a savings vehicle. So unless there was some sort of requirement that it couldn't be used within a certain period of years, I'm afraid that what that would do would be to incentivize it being used as a pass-through. I mean, in your-- in your situation that you're talking about you could certainly save it. You know, if you-- if you have an inheritance or have a big swing an income, you could certainly save it-- save it and then continue to deposit it in the account per the cap.

LINEHAN: I know, but couldn't they just spend what they don't put in savings. I mean, at least, maybe everybody else is better. So you're saying if it was within a reasonable amount of time, like four or five or six years before, it would be--

RENEE FRY: So.

LINEHAN: --you just don't want-- you don't want to find out they're going to Yale. It's going to cost $200,000. You put $200,000 in the account, and take it out the next year. That's what you're fearful of.

RENEE FRY: Yes.

LINEHAN: OK. Thank you. That's very helpful. Other questions? OK. Thank you very much.

RENEE FRY: Thank you.

LINEHAN: Are there any other opponents? Are there any wishing to testify in a neutral position? Would you like to close, Senator La Grone?

La GRONE: Just real quick. Senator Friesen, your initial question about the monies and how they-- you would-- from the nonparticipant contributors. And let's say there's a single child and the death of a child. The nonparticipant contributor definition's on page 12 (7). More specifically to that point, you'd-- still within section 8, essentially what would happen is each nonparticipant-- participant contributor, let's say they're pulling money back out, would get-- their share, "shall be based on the amount contributed by such person." So it gets split up based on how much they put in. And as for the awareness issue and this being primarily used by individuals of higher incomes, I think that does go to the awareness issue because I think that obviously if you have a high enough income to deal with an investment-- investment adviser on a regular basis, you're going to know that this stuff is there. But the awareness aspect is about going out and making sure that other folks, who don't want to have that regular contact with investment advisers, know that this is an option available to them to enable their children to attend college as well. So that's really the goal here is to broaden it, open it up to everyone.

LINEHAN: Thank you. Are there questions from the committee? If not, we do have-- thank you very much for being here today.

La GRONE: Thank you.

LINEHAN: We have one letter for the record, oh, excuse me, we have two: Kristen Hassebrook, Nebraska Chamber of Commerce as the proponent; and, David Brown, Greater Omaha Chamber of Commerce is a proponent. There were no-- none in opposition and none neutral. So with that, we close the hearing on LB470. We're done.